

FARADAY URANIUM MINES LIMITED

SUITE 1600 - 100 ADELAIDE ST. W.

TORONTO 1, ONTARIO

CANADA

TO THE SHAREHOLDERS:

Your Directors are presenting herewith for your consideration three proposals:

- (1) The sale of the mining assets of your Company for shares of the capital stock of Nickel Mining & Smelting Corporation.
- (2) A consolidation of shares of your Company involving a change in its corporate name.
- (3) Diversification of the Company's objects.

The details of the proposals are set out in the attached proxy statement.

The material discloses that the mining and milling operations at Faraday's uranium property near Bancroft, Ontario, will close on June 30, 1964. It also states that the mining and milling operations of Nickel Mining on its Gordon Lake property in North Western Ontario have been under way for just over one year. Both Faraday and Nickel Mining are controlled by Augustus Exploration Limited and representatives of Augustus form the majority of the Boards of Faraday and Nickel Mining. Such representation allows them to look at the mining picture of both Faraday and Nickel Mining as a whole. Viewed in this manner and in the light of advice of Counsel, Tax Consultants and Engineers, the directors of both companies are agreed that some form of merger is in the best interests of the shareholders of both companies. Since Faraday is an Ontario corporation and Nickel Mining a Quebec corporation a complete amalgamation in the Canadian sense is not possible. The sale of mining assets provided for in the agreement to be submitted to the shareholders for approval will, however, in the opinion of Counsel, give the two Companies the maximum benefit of tax savings and co-ordination of operations.

The Company's Counsel has advised that under the applicable law (The Corporations Act of Ontario) 66 and 2/3rds per cent of the shares **represented at the meeting** must vote in favour of the various proposals in order that same may be ratified and confirmed. The defeat of proposal (1) does not necessarily mean that proposals (2) and (3) may not be carried out. It should be noted, however, that the agreement provides for ratification by the shareholders of Nickel Mining also. The Quebec Mining Companies Act which governs Nickel Mining contains substantially the same relevant provisions as the Ontario Act. It should be noted, however, that Augustus Exploration Limited owns 1,335,059 shares (30.30%) of Faraday and 277,580 shares (3.8%) of Nickel Mining. Augustus has advised both the directors of Faraday and Nickel Mining that it intends its shares to be represented at the meeting and to vote in favour of all the proposals. Faraday owns 3,200,000 shares (43.3%) of Nickel Mining and intends to vote same in favour of the proposal.

The proposed consolidation of shares of your Company is deemed desirable in order to create a more readily negotiable security. The proposed new corporate name will reflect the present diversification of your Company's interests and the consequent change in its objects.

You are referred to the proxy statement for the details and effects of the proposals. Your Directors hope that your shares will be represented at the meeting.

Respectfully submitted on behalf of the Board,

A. W. JOHNSTON,
President

December 4th, 1963.

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FARADAY URANIUM MINES LIMITED

NOTICE OF A SPECIAL GENERAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

TAKE NOTICE that a Special General Meeting of the Shareholders of Faraday Uranium Mines Limited will be held at the Royal York Hotel, Toronto, Ontario, on the 23rd day of December, 1963, at the hour of 11:00 o'clock in the forenoon, for the following purposes:

1. To consider and, if deemed advisable, ratify and approve the action of the Directors of the Company in entering into an Agreement with Nickel Mining & Smelting Corporation, dated as of June 30th, 1963 providing for the sale of all of the assets of the Company to Nickel Mining & Smelting Corporation, save and except such as are specifically to be retained by Faraday all as set out in the Proxy Statement enclosed and the Financial Statements forming a part thereof.
2. To confirm a Special Resolution authorizing an application to the Lieutenant Governor of the Province of Ontario for Supplementary Letters Patent to be issued for the following purposes:
 - (i) To provide that the Company will not be subject to the provisions of Part IV of The Corporations Act;
 - (ii) To change the name of the Company from Faraday Uranium Mines Limited to "The Canadian Faraday Corporation Limited", or such other name as may be approved by the Provincial Secretary.
 - (iii) To delete from the Letters Patent of the Company the objects as set out therein and to substitute therefor the following:
 - (a) To carry on in all its branches the business of mining, milling, reduction and development;
 - (b) To purchase or otherwise acquire and to hold, sell, exchange or otherwise dispose of and deal in the property, real or personal, rights and assets of and bonds, debentures, debenture stock, shares of all classes and securities of any form or type issued by any individual, corporation or company, public or private, incorporated or unincorporated;
 - (c) To take part in the management, supervision or control of the business or operations of any company or undertaking of which the Company holds any shares, bonds, debentures or other securities or of which the Company owns any property, assets or rights and, for that purpose, to appoint and remunerate any managers, accountants or other experts or agents;
 - (d) To employ any individual, firm or corporation to manage, in whole or in part, the affairs of the Company and to employ experts to investigate and examine into the conditions, prospects, value, character and circumstances of any business concerns and undertakings and generally of any assets, property or rights; and
 - (e) To acquire by purchase, lease or otherwise and to take over and manage and carry on all or any of the businesses, undertakings, properties, franchises, goodwill, contracts, rights, powers and privileges held, enjoyed or carried on by any person, firm or corporation or by

any business, the carrying on of which will, in the opinion of the Company, promote the carrying out of the undertaking of the Company or possessed of any property suitable for the objects of the Company as the Company may deem advisable and, in particular, for shares, bonds, debentures or other securities of the Company; and to let and sub-let any property.

- (iv) (a) to change the 4,405,910 issued shares and the 594,090 unissued shares of the Company both with the par value of \$1.00 each into 4,405,910 issued and 594,090 unissued shares without nominal or par value.
- (b) to consolidate the 4,405,910 issued shares of the Company without par value into 1,762,364 issued shares without par value, ranking on a parity with the remaining 594,090 unissued shares of the Company.
- (c) to increase the authorized capital of the Company from 2,356,454 shares to 3,500,000 shares by creating an additional 1,143,546 shares without par value, ranking on a parity with the existing 2,356,454 shares of the Company, provided that the 3,500,000 shares shall not be issued for a consideration exceeding in amount or value the sum of \$10,000,000.00 or such greater amount as the Board of Directors of the Company deems expedient, on payment to the Treasurer of Ontario of the fees payable on such greater amount and on the issuance by the Provincial Secretary of a Certificate of such payment.

Part IV of the Corporations Act of Ontario referred to above is that part which governs companies whose business is solely that of mining and whose shares having a par value, may nonetheless be sold at a discount.

The attention of the Shareholders is directed to the material enclosed herewith in the form of a Proxy Statement. Copies of all financial statements, agreements, valuations and supporting material not enclosed herewith are available for inspection during business hours at the head office of the Company, Suite 1600, 100 Adelaide Street West, Toronto, or at the offices of their Solicitors, Macdonald & Macintosh, Room 906, 357 Bay Street, Toronto 1.

The following directors of the Company, viz. A. W. Johnston, William McKee, L. E. Wetmore and W. C. Campbell are interested in the agreement above mentioned in that they are directors and/or officers and/or shareholders of Faraday Uranium Mines Limited and Nickel Mining & Smelting Corporation as indicated in the Proxy Statement under the heading "Interlocking Directors and Officers".

BY ORDER OF THE BOARD,

WM. McKEE
Secretary

PROXY STATEMENT

INTRODUCTION AND BUSINESS

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PROXY STATEMENT

INTRODUCTION AND HISTORY

Faraday Uranium Mines Limited (hereinafter called "Faraday" or the "Company") presently holds 3,200,000 shares of Nickel Mining & Smelting Corporation (hereinafter referred to as "Nickel Mining") or 43.3% of 7,387,082 shares presently outstanding. Nickel Mining also has First Mortgage Bonds outstanding in the principal amount of \$3,615,000.00 divided into two series, "A" and "B". Series "A" Bonds of this issue are in the principal amount of \$515,000.00, of which \$500,000.00 principal amount are held by a subsidiary of The International Nickel Company of Canada Limited, and \$15,000.00 principal amount are held by Faraday. All of the Series "B" in the principal amount of \$3,100,000.00 are held by Faraday. The investment of Faraday in Nickel Mining consists of the aforesaid shares acquired at a cost of \$600,000, the bonds acquired at a cost of \$3,014,583.33 and the sum of \$800,000 advanced on open account.

The accompanying Proxy is solicited by the management of Faraday for use at a Special General Meeting of shareholders to be held on the 23rd day of December, 1963, at the time and place and for the purposes set forth in the accompanying Notice of Special General Meeting and at any and all adjournments of the meeting. The persons named as attorneys and proxies were selected by the Board of Directors of the Company.

Any proxy may be revoked at any time before it is exercised. Attendance by a shareholder in person at the meeting, under the applicable law, revokes a proxy. The solicitation of proxies will be conducted by mail and the cost of the solicitation will be borne by Faraday. Proxies will be voted in accordance with the instructions indicated thereon. In cases in which such instructions are not so indicated proxies will be voted in favour of the proposed transactions. No matters, other than those stated herein are known to be in prospect at the meeting but if any such matter should arise proxies will be voted in accordance with the discretion of the individual proxy named. Under the applicable law, dissenting shareholders have no appraisal or similar rights.

Faraday has only one class of shares outstanding. The registered holder of any share at the date of the meeting will be entitled to cast one vote for each share held. Faraday has presently outstanding 4,405,910 shares. Under the by-laws of Faraday a quorum for a shareholders' meeting consists of two shareholders present in person each holding at least one share. The Corporations Act of Ontario requires a vote of at least two-thirds of the shares present and voting at the meeting for the approval of the transactions referred to herein.

MATTERS TO BE CONSIDERED AT THE MEETING

The shareholders of Faraday will be asked to approve the following:

- (a) the terms of an agreement dated as of June 30, 1963, between the Company and Nickel Mining providing for the sale of all the assets of the Company to Nickel Mining except such as are specifically to be retained by the Company all as set out under the caption "The Assets Retained by Faraday".
- (b) A Special Resolution authorizing an application for Supplementary Letters Patent amending the Letters Patent of Incorporation of the Company by:
 - (i) extending its corporate powers and objects;
 - (ii) providing that it will no longer be subject to the provisions of Part IV of The Corporations Act of the Province of Ontario, which authorizes certain companies with par value shares to issue shares in their capital stock at a discount.

- (iii) consolidating the presently issued 4,405,910 shares of the Company of the par value of \$1.00 each into 1,762,364 issued shares, without nominal or par value, and increasing the authorized capital of the Company to a total of 3,500,000 shares without nominal or par value. The consolidation has the effect of consolidating each five shares of the presently issued capital stock of the Company into two shares of the capital stock of the Company.
- (iv) changing the corporate name of the Company to "The Canadian Faraday Corporation Limited" or such other name as may be approved by the meeting and acceptable to the Provincial Secretary of the Province of Ontario.

YOUR BOARD OF DIRECTORS HAS GIVEN CAREFUL CONSIDERATION TO THE ABOVE PROPOSALS, HAS APPROVED THEM AS IN THE BEST INTERESTS OF FARADAY AND ITS SHAREHOLDERS, AND RECOMMENDS THAT THE SHAREHOLDERS VOTE IN FAVOUR OF THEIR ADOPTION.

The only person who owned of record or was understood by Faraday to own beneficially more than ten per cent of the shares of Faraday at the date of this Statement was Augustus Exploration Limited, Suite 1600, 100 Adelaide Street West, Toronto. As of the close of business on the 22nd day of November, 1963 Augustus Exploration Limited owned a total of 1,335,059 shares (30.30%) beneficially (1,300,000 of record and 35,059 through a wholly-owned subsidiary). The management of this corporation has indicated its intention to vote its shares in favour of the proposal.

The only class of voting securities of Nickel Mining which will be outstanding at the date of the meeting is common shares of which an aggregate of 7,387,082 shares are presently outstanding. Of these, Faraday now owns 3,200,000 (43.3%) and Augustus Exploration Limited owns 277,580 (3.8%). The management of Faraday and Augustus Exploration Limited have indicated that they intend to vote their shares of Nickel Mining in favour of the proposal. The holder of record of each such share at the date of the meeting is entitled to cast one vote for each share so held. No other person owned of record or was understood by Faraday to own beneficially more than ten per cent of the shares of Nickel Mining common stock outstanding.

All dollar amounts are expressed in Canadian funds. On November 22nd, 1963 the Canadian dollar was quoted at 92²⁷/₃₂¢ U.S.

GENERAL INFORMATION

Faraday proposes to sell all of its assets, except shares in certain companies held by it, to Nickel Mining in return for shares of the capital stock of Nickel Mining following a reorganization of the capital structure of that Company as hereinafter described. The effect of this transaction will be to make Faraday the owner of 88.39% of the then outstanding shares of Nickel Mining. Nickel Mining will also assume all liabilities of Faraday and will covenant and agree to pay same. As previously stated, Faraday owns approximately 43.3% of the presently issued capital stock of Nickel Mining.

Nickel Mining proposes to reorganize its capital structure by reducing its outstanding capital stock on the basis of one share of new stock for each five shares of old stock issued. It is proposed that Nickel Mining would reduce its presently issued capital to 1,477,416 shares by the cancellation of 5,909,666 shares and change its authorized capital to \$8,500,000. At the same time it would change its corporate name to "Metal Mines Limited" or such other name as may be acceptable to the regulatory authorities having jurisdiction. This would have the effect of converting Faraday's present holding of 3,200,000 shares of Nickel Mining into 640,000 shares of the new capital stock of Nickel Mining.

In payment for the assets so purchased, there would be issued to Faraday a further 5,738,284 shares of Nickel Mining stock as reorganized. The net effect would be that Faraday would be the beneficial owner

of 88.39% of the issued capital, .77% of the issued capital would be owned directly by Augustus Exploration Limited and its subsidiaries and the balance of 10.84% by the general public.

As described in the caption "Introduction and History" Nickel Mining has First Mortgage Bonds outstanding in the principal amount of \$3,615,000. Upon completion of the transaction \$15,000 of the Series "A" and all the Series "B" bonds will be surrendered by Faraday for cancellation and \$500,000 of the Series "A" bonds will be repaid at par with accrued interest to the date of payment. The Trust Deed imposes certain restrictions on payment of dividends by Nickel Mining which will no longer be effective upon retirement of the outstanding bonds.

All outstanding warrants attached to the bonds will be cancelled. These entitled the holder thereof to purchase one share of the capital stock of Nickel Mining as presently constituted at \$1.25 per share.

Neither the shares of Faraday nor those of Nickel Mining as presently constituted or when reorganized will carry any pre-emptive rights to purchase further shares which may be issued nor the purchase of securities convertible into such shares.

FARADAY URANIUM MINES LIMITED

Statement of Income

(Expressed in Canadian Currency)

The following statement of income with the exception for the six month period ended June 30, 1962 has been examined by Hilborn, Vigeeon & Company, independent chartered accountants, whose opinion thereon appears elsewhere in this Proxy Statement. This statement should be read in conjunction with the other financial statements, including the notes thereto, of Faraday Uranium Mines Limited included elsewhere in this Proxy Statement.

	Six Months Ended June 30		Years Ended December 31					Eight Months Ended December 31 1957 (Note b)	
	1963	1962 (Unaudited) (Note e)	1962	1961	1960	1959	1958		
REVENUE									
Sale of uranium concentrates (Note c).....	\$2,217,727	\$4,141,733	\$7,610,659	\$8,274,231	\$8,867,175	\$9,465,685	\$8,783,106	\$4,315,012	
Sundry Income.....	6,309	9,265	22,928	29,001	37,121	20,706	17,774	8,222	
	\$2,224,036	\$4,150,998	\$7,633,587	\$8,303,232	\$8,904,296	\$9,486,391	\$8,800,880	\$4,323,234	
OPERATING EXPENSES									
Development.....	\$ 93,484	\$ 83,431	\$ 124,614	\$ 481,815	\$ 615,493	\$1,123,820	\$1,117,313	\$ 577,546	
Mining.....	712,100	540,055	1,236,898	1,478,780	1,897,880	2,094,048	1,936,405	993,152	
Milling.....	587,062	536,600	1,173,515	1,161,806	1,295,258	1,614,959	1,498,917	982,752	
Custom ore purchases.....						46,558	491,041	105,928	
Administrative.....	96,832	108,236	191,833	225,018	165,550	131,160	112,067	92,555	
Depreciation of buildings, plant and equipment (Note 11)	6,500	727,800	1,205,400	1,465,700	1,574,600	1,647,100	1,497,800	706,400	
Depletion of mining claims, rights, properties and leases (Note 11 (d)) (Note d).....		37,550	54,309	76,000	86,000	85,800	80,000	27,500	
Amortization of preproduction and deferred development expenditures (Note 11).....	2,700	403,300	582,418	817,143	915,100	872,450	758,800	357,750	
	\$1,498,678	\$2,436,972	\$4,568,987	\$5,706,262	\$6,549,881	\$7,615,895	\$7,492,343	\$3,843,583	
Operating profit before the undernoted items.....	\$ 725,358	\$1,714,026	\$3,064,600	\$2,596,970	\$2,354,415	\$1,870,496	\$1,308,537	\$ 479,651	
Debiture and note interest.....					\$ 121,257	\$ 296,683	\$ 456,423	\$ 333,938	
Bank interest.....					1,442	3,465	7,623	12,449	
Ontario mining tax.....	\$ 16,076	\$ 224,000	\$ 333,056	\$ 304,342	296,480	180,000	80,545	10,000	
Premium on redemption of debentures.....					23,395				
Outside exploration (Note 8).....	96,380	12,968	180,195	30,060	1,156				
	\$ 112,456	\$ 236,968	\$ 513,251	\$ 334,402	\$ 443,730	\$ 480,148	\$ 544,591	\$ 356,387	
	\$ 612,902	\$1,477,058	\$2,551,349	\$2,262,568	\$1,910,685	\$1,390,348	\$ 763,946	\$ 123,264	

Investment income:

Nickel Mining & Smelting Corporation (Note 5).....	\$ 24,450	\$ 66,127	\$ 130,432	\$ 18,795					
Subsidiaries.....	8,802		5,742						
Other.....	64,492	76,482	172,069	71,858	\$ 16,671				
	\$ 97,744	\$ 142,609	\$ 308,243	\$ 90,653	\$ 16,671				
(Profit) or loss on disposal of fixed assets (Note 11(c)).....	\$ 710,646	\$1,619,667	\$2,859,592	\$2,353,221	\$1,927,356	\$1,390,348	\$ 763,946	\$ 123,264	
Amortization of other deferred charges (Note 11):									
Expenses on capital stock.....									
Debtenture discount and expenses.....									
Incorporation and organization expenses written off.....									
	(\$ 1,235)	\$ 140	\$ 288	\$ 9,414	\$ 5,339	\$ 9,503	\$ 13,249	\$ 1,241	
Net income before income taxes and subsidiary losses.....		4,700	7,155	10,057	11,400	11,350	10,600	5,250	
Income taxes (Note 13)—Federal.....	\$ 711,881	\$1,614,827	\$2,852,149	\$2,333,750	\$1,843,464	\$1,297,480	\$ 632,903	\$ 30,633	
—Provincial.....	\$ 74,133	\$ 401,000	\$ 573,400						
	22,025	109,000	156,600						
Net income before subsidiary losses.....	\$ 96,158	\$ 510,000	\$ 730,000						
Subsidiary losses (Note 6).....	\$ 615,723	\$1,104,827	\$2,122,149	\$2,333,750	\$1,843,464	\$1,297,480	\$ 632,903	\$ 30,633	
Net income (Notes d and e).....	49,442	11,808	77,517						
	\$ 566,281	\$1,093,019	\$2,044,632	\$2,333,750	\$1,843,464	\$1,297,480	\$ 632,903	\$ 30,633	
Net income per share on 4,405,910 shares issued (Notes d and e).....	12.9¢	24.8¢	46.4¢	53.0¢	41.8¢	29.4¢	14.4¢	.7¢	
Cash dividends declared per share.....	10.0¢	10.0¢	20.0¢	20.0¢	15.0¢				

Notes

(a) Numerical note references are to notes to the financial statements of Faraday Uranium Mines Limited included elsewhere in this Proxy Statement.

(b) The company commenced production in reasonable commercial quantities on May 1, 1957.

(c) Present sales contracts will expire at June 30, 1964. The decline in the revenue from the sale of uranium concentrates during the six months ended June 30, 1963 as compared to the six months ended June 30, 1962 is attributable to the reduction in sales price. See "Business and Property of Faraday," on page 11 of this Proxy Statement with respect to this matter and the reasons for such reduction.

(d) The amounts of net income shown above differ from amounts previously reported because of retroactive adjustments made to reflect the provision for depletion of mining claims, rights, properties and leases in the amount of \$409,609 (see Note 11 (d) to the financial statements).

Earnings per share have been reduced as follows as a result of this adjustment:

1957 (8 months).....	.6¢
1958 (year).....	1.8
1959 (year).....	2.0
1960 (year).....	2.0
1961 (year).....	1.7
1962 (year).....	1.2
	<u>9.3¢</u>

(e) All adjustments necessary to a fair statement of the results for the unaudited six months period ended June 30, 1962 have been included. Adjustments made to figures previously reported to shareholders for this interim period include (1) sale of uranium concentrates by final refinery settlements (2) operating expenses by normal recurring accruals (3) Ontario mining tax by using applicable proportion of total tax for year (4) provision for depletion referred to in Note (d) and (5) deduction of subsidiary losses. As a result of these adjustments earnings for this period have been reduced by approximately \$54,000 or 1.2¢ per share.

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

Statement of Operations Six months ended June 30, 1963

(Expressed in Canadian currency)

The following statement of operations has been examined by Thorne, Mulholland, Howson & McPherson, independent chartered accountants, whose opinion thereon appears elsewhere in this Proxy Statement. This statement should be read in conjunction with the other financial statements, including the notes thereto, of Nickel Mining & Smelting Corporation included elsewhere in this Proxy Statement.

Sale of concentrates.....		\$1,131,799
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OPERATING EXPENSES:

Development.....	\$ 72,812	
Mining.....	339,818	
Milling.....	141,325	
Marketing.....	121,282	
Mine office and general expenses.....	138,409	
Administrative expenses.....	38,213	
Depreciation of buildings, plant and equipment (Note 5).....	137,393	
Amortization of preproduction expenditures (Note 5).....	269,442	1,258,694
Operating loss before undernoted expenses.....		\$ 126,895

OTHER EXPENSES:

Bond interest.....	\$108,450	
Loan interest.....	35,084	
Ontario mining tax.....	1,175	
Outside exploration (including cost of claims and expenditures thereon written off).....	12,509	
Loss on disposal of fixed assets.....	11,647	168,865
LOSS FOR PERIOD.....		\$ 295,760

Loss per share (based on 7,387,082 shares issued).....	4.0¢
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FARADAY URANIUM MINES LIMITED

Pro Forma Consolidating Statement of Income Six Months Ended June 30, 1963

(Expressed in Canadian Currency)

The following pro forma consolidating statement of income, giving effect to the proposed sale, under an agreement made as of June 30, 1963, of certain net assets of Faraday Uranium Mines Limited to Nickel Mining & Smelting Corporation in consideration for its shares, is a mathematical compilation of the accounts of the two companies as shown by the related statements of income and operations and indicates the results of operations as if Faraday Uranium Mines Limited had owned these shares for the six months ended June 30, 1963. Separate financial statements of these companies are shown elsewhere in this Proxy Statement and the following pro forma consolidating statement of income should be read in conjunction with those statements including the notes thereto.

	Faraday	Nickel Mining	Pro Forma Adjustments	Faraday Pro Forma Consolidated
REVENUE				
Sale of concentrates.....	\$2,217,727	\$1,131,799		\$3,349,526
Sundry income.....	6,309			6,309
	<u>\$2,224,036</u>	<u>\$1,131,799</u>		<u>\$3,355,835</u>
OPERATING EXPENSES				
Development, mining, milling, marketing, mine office and general, administrative.....	\$1,489,478	\$ 851,859		\$2,341,337
Depreciation of buildings, plant and equipment.	6,500	137,393		143,893
Amortization of preproduction and deferred development expenditures.....	2,700	269,442	(\$96,547) (a)	175,595
	<u>\$1,498,678</u>	<u>\$1,258,694</u>		<u>\$2,660,825</u>
Operating profit or (loss) before the undernoted items.....	\$ 725,358	(\$ 126,895)		\$ 695,010
Bond interest.....		\$ 108,450	(93,450) (b)	\$ 15,000
Loan interest.....		35,084	(24,000)	11,084
Ontario mining tax.....	\$ 16,076	1,175		17,251(c)
Outside exploration.....	96,380	12,509		108,889
	<u>\$ 112,456</u>	<u>\$ 157,218</u>		<u>\$ 152,224</u>
	\$ 612,902	(\$ 284,113)		\$ 542,786
Investment income.....	97,744		(24,450)	73,294
	<u>\$ 710,646</u>	<u>(\$ 284,113)</u>		<u>\$ 616,080</u>
Profit or (loss) on disposal of fixed assets.....	1,235	(11,647)		(10,412)
	<u>\$ 711,881</u>	<u>(\$ 295,760)</u>		<u>\$ 605,668</u>
Net income or (loss) before income taxes and sub- sidiary losses.....	\$ 711,881	(\$ 295,760)		\$ 605,668
Income taxes.....	96,158		(96,158) (d)	-
	<u>\$ 615,723</u>	<u>(\$ 295,760)</u>		<u>\$ 605,668</u>
Net income or (loss) before subsidiary losses.....	\$ 615,723	(\$ 295,760)		\$ 605,668
Subsidiary losses.....	49,442			49,442
	<u>\$ 566,281</u>	<u>(\$ 295,760)</u>		<u>\$ 556,226</u>
Net income or (loss) before minority interest.....	\$ 566,281	(\$ 295,760)		\$ 556,226
Minority interest.....			59,086 (e)	59,086
Pro forma net income.....				<u>\$ 497,140</u>
Per share: Based on 4,405,910 shares issued.....				11.3¢
Based on 1,762,364 shares proposed to be issued.....				28.2¢

Notes and pro forma adjustments:

- (a) Amortization of preproduction expenditures recorded in the accounts of Nickel Mining & Smelting Corporation is reduced by the amortization on \$1,930,944 (Note A(c) to pro forma consolidating balance sheet).
- (b) Bond interest of \$93,000 accrued in the accounts of Nickel Mining & Smelting Corporation was not included by Faraday Uranium Mines Limited in its accounts.
- (c) Provision has not been made in the above statement for additional Ontario mining taxes in the amount of \$86,000 resulting from the sale of net assets.
- (d) Income taxes are eliminated because of the availability of deductions for preproduction expenditures and depreciation to offset income.
- (e) The minority interest has been determined as follows:

Share of net income before subsidiary losses.....	\$70,291
Deduct:	
Minority share of amortization of preproduction expenditures on \$1,930,944 (Note (a) above).....	11,205
Minority interest.....	<u>\$59,086</u>

FARADAY URANIUM MINES LIMITED

Pro Forma Consolidating Balance Sheet—June 30, 1963

(Expressed in Canadian Currency)

The following pro forma consolidating balance sheet, giving effect to the proposed sale, under an agreement made as of June 30, 1963, of certain net assets of Faraday Uranium Mines Limited to Nickel Mining & Smelting Corporation in consideration for its shares, is a mathematical compilation of the pro forma accounts of the two companies as shown by the related pro forma balance sheets and indicates the company's position on a consolidated basis as it would have appeared at June 30, 1963 had the transactions set forth in note 1 to the financial statements of the two companies been consummated at that date. Separate financial statements and pro forma balance sheets of Faraday Uranium Mines Limited and Nickel Mining & Smelting Corporation are shown elsewhere in this Proxy Statement and the following pro forma consolidating balance sheet should be read in conjunction with those statements and pro forma balance sheets including the notes thereto.

	ASSETS			
	Faraday Pro Forma Balance Sheet	Nickel Mining Pro Forma Balance Sheet	Adjustments (Note A)	Faraday Pro Forma Consolidated Balance Sheet
CURRENT ASSETS				
Cash and short term deposits.....		\$ 485,629		\$ 485,629
Short term note, at cost.....		100,000		100,000
Accrued interest (including \$11,165 from subsidiaries).....		43,646		43,646
Refinery settlements receivable.....		367,989		367,989
Inventory of concentrates (Note C).....		904,396		904,396
Deposits and other accounts receivable.....		107,704		107,704
Income taxes recoverable.....		431,500		431,500
Inventory of supplies, at average cost.....		383,647		383,647
Prepaid expenses.....		68,807		68,807
		<u>\$ 2,893,318</u>		<u>\$ 2,893,318</u>
INVESTMENTS				
Nickel Mining & Smelting Corporation:				
Shares.....	\$ 7,982,521		(\$ 7,982,521) (a)	
Subsidiaries not consolidated, at cost (Note B):				
Shares.....	50,011			\$ 50,011
Advances.....		\$ 817,269		817,269
		<u>\$ 817,269</u>		<u>\$ 867,280</u>
Less: Allowance for losses.....		210,000		210,000
		<u>\$ 607,269</u>		<u>\$ 657,280</u>
Other:				
Canadian Silica Corporation Limited, at cost				
6% First mortgage.....		1,000,000		1,000,000
Shares.....	263,000	71,442		334,442
Smelter Power Corporation				
Shares, at nominal value.....		1		1
Advances.....		159,120		159,120
Shares in other mining companies (market value \$805,243)				
Western Mines Limited, at cost.....	424,508			424,508
Sundry, for outside exploration, at cost less amounts written off.....	51,985			51,985
	<u>\$ 8,772,025</u>	<u>\$ 1,837,832</u>	<u>(\$ 7,982,521)</u>	<u>\$ 2,627,336</u>
FIXED ASSETS				
Mining claims, rights, properties and leases.....		\$ 34,938	\$ 409,609 (b)	\$ 444,547
Less: Accumulated depletion.....			(409,609) (b)	409,609
		<u>\$ 34,938</u>	<u>—</u>	<u>\$ 34,938</u>
Buildings, plant and equipment.....		\$ 2,760,229	\$ 7,994,192 (b)	\$10,754,421
Less: Accumulated depreciation.....		137,393	(7,994,192) (b)	8,131,585
		<u>\$ 2,622,836</u>	<u>—</u>	<u>\$ 2,622,836</u>
		<u>\$ 2,657,774</u>	<u>—</u>	<u>\$ 2,657,774</u>
OTHER ASSETS AND UNRECOVERED PROMOTIONAL, EXPLORATORY AND DEVELOPMENT COSTS				
Interest in power line, at cost.....		\$ 211,612		\$ 211,612
Deferred development expenditures.....		5,424		5,424
Preproduction expenditures.....		5,119,397	(\$ 1,930,944) (c)	3,188,453
		<u>\$ 5,336,433</u>	<u>(\$ 1,930,944)</u>	<u>\$ 3,405,489</u>
	<u>\$ 8,772,025</u>	<u>\$12,725,357</u>	<u>(\$ 9,913,465)</u>	<u>\$11,583,917</u>

See accompanying notes to pro forma consolidating balance sheet.

FARADAY URANIUM MINES LIMITED

Pro Forma Consolidating Balance Sheet—June 30, 1963

(Expressed in Canadian Currency)

LIABILITIES

	Faraday Pro Forma Balance Sheet	Nickel Mining Pro Forma Balance Sheet	Adjustments (Note A)	Faraday Pro Forma Consolidated Balance Sheet
CURRENT LIABILITIES				
Bank loan (secured).....		\$ 409,000		\$ 409,000
Accounts payable.....		224,036		224,036
Accrued payrolls.....		108,036		108,036
Other accrued charges.....	\$ 25,000	86,596		111,596
Dividend payable to shareholders of Faraday Uranium Mines Limited.....		440,591		440,591
Ontario mining tax payable.....		103,175		103,175
	<u>\$ 25,000</u>	<u>\$ 1,371,434</u>		<u>\$ 1,396,434</u>
LONG-TERM DEBT				
Loan from other mining company.....		\$ 100,000		\$ 100,000
Accounts payable not due within one year.....		38,902		38,902
		<u>\$ 138,902</u>		<u>\$ 138,902</u>
Minority interest in net assets of Nickel Mining & Smelting Corporation.....			\$ 1,301,556 (d)	\$ 1,301,556

SHAREHOLDERS' EQUITY

CAPITAL STOCK				
AUTHORIZED				
Faraday—3,500,000 shares of no par value				
Nickel Mining—8,500,000 shares of par value \$1.00 each				
ISSUED				
Faraday—1,762,364 shares.....	\$ 2,397,765			\$ 2,397,765
Nickel Mining—7,215,700 shares.....		\$ 7,215,700	(\$ 7,215,700) (d)	
CAPITAL SURPLUS				
(not available for payment of dividends).....	899,999			899,999
EARNED SURPLUS	5,449,261			5,449,261
DEFICIT		(3,554,582)	3,554,582 (d)	
CONTRIBUTED SURPLUS		7,553,903	(7,553,903) (d)	
	<u>\$ 8,747,025</u>	<u>\$11,215,021</u>	<u>(\$11,215,021)</u>	<u>\$ 8,747,025</u>
	<u>\$ 8,772,025</u>	<u>\$12,725,357</u>	<u>(\$ 9,913,465)</u>	<u>\$11,583,917</u>

See accompanying notes to pro forma consolidating balance sheet.

FARADAY URANIUM MINES LIMITED

Notes to Pro Forma Consolidating Balance Sheet

June 30, 1963

A. PRO FORMA ADJUSTMENTS ARE AS FOLLOWS

- (a) Elimination of investment account.
- (b) Adjustment for accumulated depletion and depreciation provided in the accounts of Faraday Uranium Mines Limited prior to the sale.
- (c) Elimination of excess of company's equity in book value of pro forma net assets of Nickel Mining & Smelting Corporation over cost of shares as recorded in pro forma accounts of Faraday Uranium Mines Limited.
- (d) Determination of minority interest in pro forma net assets of Nickel Mining & Smelting Corporation as follows:

Capital stock.....	\$7,215,700	\$ 837,416
Deficit.....	(3,554,582)	(412,526)
Contributed surplus.....	7,553,903	876,666
Minority interest—11.60547%.....		<u>\$1,301,556</u>

B. SUBSIDIARY COMPANIES NOT CONSOLIDATED

The accounts of the subsidiaries other than Nickel Mining & Smelting Corporation have not been consolidated since they are not material in relation to those of the company.

C. INVENTORY OF CONCENTRATES

The inventory of concentrates has been valued as follows:

Nickel Mining & Smelting Corporation, at estimated net realizable value.....	\$686,236
Faraday Uranium Mines Limited, at Faraday's cost.....	218,160
	<u>\$904,396</u>

PRICE RANGES OF SHARES

The reported high and low sale prices for shares of Faraday and Nickel Mining stock on the Toronto Stock Exchange for each quarterly period during the two years ended September 30, 1963, were as follows:

	<i>Faraday</i>		<i>Nickel Mining</i>	
	High	Low	High	Low
December 1961.....	\$1.86	\$1.52	\$0.55	\$0.44
March 1962.....	1.76	1.60	0.62	0.47
June 1962.....	1.81	1.47	0.57	0.41
September 1962.....	1.85	1.51	0.51	0.39
December 1962.....	1.72	1.59	0.45	0.33
March 1963.....	1.72	1.55	0.40	0.33
June 1963.....	1.71	1.36	0.37	0.27
September 1963.....	1.51	1.06	0.30	0.20

The above prices are quoted in Canadian currency. The sale prices of Faraday in accordance with transactions occurring on the American Stock Exchange are at substantially the same levels as those which took place on the Toronto Stock Exchange. The reported high and low sale prices for the shares of the two companies on the Toronto Stock Exchange on December 4th, 1963, were:

Faraday.....	High \$1.02	Low \$1.02
Nickel Mining.....	High \$.22½	Low \$.22

BUSINESS AND PROPERTY OF FARADAY

Faraday is engaged in the mining of uranium ore from its properties in the Township of Faraday, Hastings County, Ontario. These lie approximately 150 miles from the City of Toronto, Ontario. The area is serviced by all-weather roads and the village of Bancroft, 4½ miles away is served by the Canadian National Railway. The ore is concentrated at the Company's milling plant located on the property and the concentrate is sold to Eldorado Mining & Refining Limited, an agency of the Canadian Government, under contracts which presently expire June 30, 1964. Under the terms of these contracts, sales are F.O.B. railroad cars at Bancroft. The plant has been in operation continuously since April 4, 1957. Apart from sales to Eldorado Mining & Refining Limited under contracts referred to above, the Company has no market for its products. The property interests of Faraday in Faraday Township cover approximately 4,044 acres. Mining rights are held by virtue of patents from the Crown in the right of the Province of Ontario or by mining leases covering approximately 3,266 acres. Of this acreage, surface rights are held to 1,652 acres. In addition, further surface rights are held to approximately 778 acres. Both surface and mining rights are held to the property from which all previous or present production has been derived. In addition to the mine and mining equipment, the Company has constructed a milling plant to treat 1,400 tons of ore per day. It has also constructed the necessary housing facilities for personnel and employees in the area. The mining and milling plant presently employ approximately 300 men. Deliveries under the present contract with Eldorado Mining & Refining Limited are at the rate of 65,000 pounds of U₃O₈ per month. The properties above referred to are to be transferred to Nickel Mining under the terms of the agreement referred to herein.

The price received by Faraday from Eldorado Mining & Refining Limited under the terms of the original contract, which was completed on or about the first day of October, 1962, included provision for amortization of the cost of plant and equipment, and for exploration and development work, and amounted to \$10.19 per pound of U₃O₈ plus a provision for additional payments to compensate for increased wages. Under the present contract, which became effective on October 1, 1962, and will expire on or about the eighteenth day of February, 1964, Faraday is receiving an average of approximately \$5.70 per pound. Under the third contract, which will commence on or about the eighteenth of February, 1964 and which will expire on the thirtieth day of June, 1964, Faraday will receive a price of \$5.76 per pound. No provision is made in the prices received under these last two contracts for plant and equipment since these were fully amortized

under the original contract, and no provision is made for wage adjustments. Because of the fact that plant and equipment are fully paid for, and that major development costs have also been paid for under the original contract, Faraday is able to mine and process ore at a profit at present prices.

Ore reserves at Faraday, of a grade somewhat better than that of ore mined during the past year, are sufficient to complete the requirements of the current contracts which expire June 30th, 1964. However, there is but little known ore additional to the ore reserves needed to complete such contract. The mine has been developed by a vertical shaft extending to a depth of approximately 1,300 feet and mining is currently being carried out to a depth of 1,050 feet. While the extent of the mine workings on the two bottom-most levels are much less than in the higher mine levels, the limited work showed favourable downward continuity of the overlying ore bodies. Exploration work is currently being carried out on the bottom levels (i.e. 900 foot and 1,050 foot levels) with the objective of seeking additional ore.

There is no present reason to believe that the Company will receive any additional contract permitting it to continue operations beyond June 30th, 1964. Numerous studies by governmental and private agencies have indicated the probability of a revival in demand for uranium in the post-1970 period, but there is no basis for a conclusion as to whether this will favourably affect the Faraday mine. It is reasonably apparent that present contractual arrangements held by other mines outside of Canada will provide at least all market requirements through 1970. It is the present intention of the Faraday Directors to maintain the mill and ancillary facilities intact with a view to possible resumption of production at that time. It is presently planned to allow the mine to flood. The nature of the rock and underground installations are such that it is anticipated that no significant damage to the underground workings will result, and that they may be pumped out at any time without difficulty or unreasonable expense. The following table illustrates operating results of the property over the past several years:

	<u>Tons Milled</u>	<u>Grade % U₃O₈**</u>	<u>Lbs. U₃O₈ Produced</u>	<u>Average Amount Received Per Ton</u>	<u>Cost* Per Ton</u>
1960.....	468,939	.100	898,914	\$20.28	\$ 9.70
1961.....	339,659	.122	796,890	25.00	10.55
1962.....	306,339	.134	774,344	23.61	10.12
10 mos. 1963.....	286,361	.121	625,334	12.51	9.51

*Includes operating and administrative expenses, Ontario Mining Tax and outside exploration but no Corporation Income Tax, depreciation of plant and equipment and amortization of preproduction and deferred development expenditures.

**Uranium oxide.

Marked reduction in the revenue received per ton in the last three months of 1962 and the year 1963 is attributable to the lower price per pound of U₃O₈ received under the current contracts.

BUSINESS AND PROPERTY OF NICKEL MINING

At June 30th, 1963, Nickel Mining held 175 mining claims in the Gordon Lake area of the District of Kenora, Ontario, of which 124 were patented and 51 were unpatented. Since that date 41 of the unpatented claims lying to the east of, but not contiguous to the producing properties of the Company, have been allowed to lapse on advice of the Company's consulting geologist. The properties lie in unorganized territory approximately 65 miles east of the town of Lac du Bonnet, in the Province of Manitoba. The City of Winnipeg, Manitoba, is approximately 135 miles west of the Company's property. Access is either by air with float equipped aircraft or by road from Lac du Bonnet. There are no other producing mines in the immediate area. Located on the patented ground is a mining plant and concentrator with a milling capacity of 15,000 tons per month.

The mine is developed through a vertical shaft which extends to a depth of 1,700 feet with levels at 150 foot intervals. The ore occurs both in vein-like structures and in lenticular masses and is irregularly distributed over the vertical extent of the mine with the greatest concentration being in the vicinity of the 1,350 foot level. The mine workings on the bottom-most 1,650 foot level under higher mine levels that developed substantial ore reserves, however no mineable ore has been found on the 1,650 foot level and exploration below this level and laterally at various levels in search of new ore bodies is intended to be

carried out at a later date. Laterally, both east and west, the property has not been fully explored and it is possible that additional ore will be found outside the present limits of the mine. The ore reserves, proven and probable, are estimated at 967,551 tons grading 1.47% nickel, .62% copper. There is also a small concentration of platinum and palladium with a net value of approximately 75¢ per ton. The ore reserves are only sufficient to fulfill the present contract with The International Nickel Company of Canada Limited. The contract with The International Nickel Company calls for the delivery of concentrates with an approximate average content of 12% nickel and 5% copper. The contract is of five years duration commencing with first deliveries in October, 1962. During the first year, the rate of deliveries is not to exceed the amount of 2,000 tons of concentrates per month and thereafter The International Nickel Company may, at its option, limit shipments to not more than 1,500 tons per month. Actual shipments in the first ten months of 1963 have only averaged 1,224 tons per month, and the grade of concentrate shipped has averaged 10.9% nickel and 4.9% copper, which has been acceptable to The International Nickel Company.

Prices paid for the nickel, copper and precious metal content of the concentrates are based on prevailing world prices for these metals less substantial reductions for smelting and treatment charges.

The mill was first turned over in October, 1962, treating ore from surface dumps and from underground development work. By December, 1963, all ore will be coming from underground. The following table illustrates the pertinent production figures for the first three quarters of the current year:

	Tons of Ore Broken	Tons of Ore Milled	Ore Grade		Net Amount Received per Ton of Ore Milled	Oper. Cost Per Ton of Ore Milled
			Nickel	Copper		
Jan.-Mar. (incl.)	31,626	35,475	1.34%	0.51%	\$14.15	\$12.05
Apr.-June (incl.)	41,486	38,348	1.48%	0.58%	16.70	11.52
July-Sept. (incl.)	41,599	31,366	1.39%	0.60%	15.63	13.63
	114,711	105,189	1.41%	0.56%	\$15.52	\$12.33

Neither the rate of production nor the grade have reached the originally projected goals. This is due, in part, to the necessary handling of considerable quantities of development rock, but also to unexpectedly difficult rock conditions which have necessitated changes in the mining method. The management is of the opinion that these difficulties have now been overcome and that the rated capacity of the concentrator and the ore reserve grade will be attained within the next few months.

The concentrator has a designed capacity of 15,000 tons per month. The method employed is differential flotation producing both a nickel and a copper concentrate. These concentrates are transported by truck to Lac du Bonnet, Manitoba, and then by Canadian Pacific Railway to The International Nickel Company smelter at Claberville, a suburb of Sudbury, Ontario, a distance of a further 900 miles. The mining and milling plant employ approximately 144 men who are housed upon the property in accommodation leased to them by the Company.

The International Nickel Company of Canada Limited has the right of first refusal on all additional production after completion of the present five year contract, but at the present time ore reserves have not been developed in sufficient quantity to enable such additional production to be visualized.

DIVIDENDS AND EARNINGS

Faraday has paid dividends on its shares as follows:

	Net Earnings	Net Per Share		Dividends Declared	
		Historical (a)	Pro Forma (b)	Historical (a)	Pro Forma (b)
1963 6 months to June 30	\$ 566,281	\$.129	\$.321	\$.10	\$.25
1962	2,044,632	.464	1.160	.20	.50
1961	2,333,750	.530	1.324	.20	.50
1960	1,843,464	.418	1.046	.15	.375
1959	1,297,480	.294	.736	—	—
1958	632,903	.144	.359	—	—

(a) Based on 4,405,910 shares issued.

(b) Based on 1,762,364 shares proposed to be issued.

These Earnings figures differ from those shown on the Annual Reports and previously reported because of the changes made, retroactively, to reflect the depletion of mining properties. (See note (d) to Statement of Income on page 5.)

Prior to January 1, 1963 Nickel Mining had been in the development stage and as such had no material income-producing operation. Nickel Mining has never paid any dividends on its shares.

			Per share (Based on 7,387,082 shares issued)	Per share (Based on 1,477,416 shares per pro forma(a))
		<u>Loss</u>		
1963....	Six months (June 30, 1963)....	\$295,760	(4.0¢)	(20.0¢)
1962....		Nil	Nil	Nil
1961....		Nil	Nil	Nil
1960....		Nil	Nil	Nil
1959....		Nil	Nil	Nil
1958....		Nil	Nil	Nil

(a) Representing the number of shares as described in Note 13 on page 40.

Recapitalization, as outlined herein, of Faraday and/or Nickel Mining will not alter the amount of surplus available for distribution to the shareholders as dividends. There is no assurance of either earnings or dividends from Nickel Mining in the future.

PROPOSED SALE OF ASSETS

(See page 35 for a complete list of the assets to be transferred to Nickel Mining)

Faraday's entire production of uranium concentrates is sold to Eldorado Mining & Refining Limited, an agency of the Canadian Government. The present contracts expire on June 30, 1964, and unless further renewed or extended, which is not presently contemplated, Faraday will have no readily available market for its uranium concentrates. Tax and other considerations make it desirable to have the mining assets of Faraday sold to its affiliate corporation, Nickel Mining, a presently operating mining company, in exchange for the latter's stock. The tax consequences of the transaction so proposed are more fully described under the appropriate heading "TAX CONSEQUENCES."

By an agreement dated as of June 30, 1963, the two corporations entered into a transaction for the transfer of certain of Faraday's assets, subject to its liabilities, in exchange for Nickel Mining stock. In arriving at the value of assets contributed by Faraday and by Nickel Mining no account has been taken of ore reserves, if any, mining properties being valued only on the basis of present dollar value of deliveries remaining to be made under existing contracts.

For details of the ore reserves on the respective properties, reference is made to the captions Business and Property on Pages 11 and 12.

In determining the aggregate share consideration to be issued by Nickel Mining to Faraday, the respective Boards of Directors considered among other things earnings, dividends, assets, management, and risks, trends and developments in the business and industry, as well as the existing common control, tax savings and co-ordination of operations.

Under its present contracts Faraday will cease deliveries of uranium concentrates to Eldorado Mining & Refining Limited on June 30, 1964, whereas Nickel Mining is expected to continue its mining operations after that date. Under these circumstances the management is of the opinion that the best interests of the shareholders of both corporations can be served by consolidating their mining activities in order to maintain both companies' income position and obtain flexibility of movement of personnel and equipment. Since Faraday is incorporated under the laws of the Province of Ontario and Nickel Mining is incorporated under the laws of the Province of Quebec management is of the opinion that it is not feasible to achieve a complete merger of the two corporations into one entity at the present time. Nickel Mining will, therefore, be the operating subsidiary and Faraday will be the holding company.

THE ASSETS RETAINED BY FARADAY

The principal assets of Faraday other than its shares of Nickel Mining will, on completion of the transaction, consist of 1,039,000 (24.8%) common shares of Canadian Silica Corporation Limited out of a total of 4,180,015 shares issued and outstanding; 203,432 (5.1%) shares of common stock of Western Mines Limited out of a total of 4,105,116 shares issued and outstanding; 51% of the issued shares of Trigon Associates Limited and all of the issued stock of its wholly-owned subsidiaries, Bancroft Holdings Limited, FML Securities Limited and Waterfront Developments Limited.

Following is a description of the nature of these retained assets and of their respective undertakings.

Canadian Silica Corporation Limited

Canadian Silica Corporation Limited, (hereinafter referred to as "Silica") was incorporated in 1948 to develop a high-grade quartzite deposit on Manitoulin Island, Ontario. This operation has assumed less importance in recent years and is currently dormant. In 1952, a grinding plant was purchased at Whitby, Ontario, about 30 miles east of Toronto, for the production of silica flour, and this operation has continued to expand. In 1955 a high-grade sandstone deposit was acquired at St. Canut, Quebec, about 35 miles north of Montreal, for production of a wide range of silica sands and flour. This division of the Company has now assumed the most important place in Silica's operations.

The original plant at St. Canut had a rated capacity of 100,000 tons of product per year and supplied sand for the manufacture of coloured glass and silicon carbide in the Montreal and surrounding areas as well as for foundry sands and other miscellaneous purposes. The associated flour plant supplied a wide range of users, including manufacturers of concrete products, asbestos cement products, soaps and cleansing powders and various ceramic specialties.

Due to the presence of certain impurities, the sand as produced was unsuitable for the manufacture of clear glass, of certain silicon carbides, and other specialized products. With a view to capturing the market for these uses and simultaneously to enlarge the overall capacity of the plant, a construction program was undertaken in 1961 with the objective of increasing annual capacity to 300,000 tons of which 100,000 tons would be refined to a product suitable to the special uses mentioned above. The new plant was completed and put into operation in October, 1962. The reserves of sandstone are known to be adequate for 20 years of production at the new rated capacity.

The refined sands have been found satisfactory by local manufacturers of glass and silicon carbides and sales have increased steadily since that date. The following table, illustrative of the Company's recent operations, includes the unaudited results from all three of the Company's divisions:

	10 months Ended Oct. 30, 1963	13 months Ended Dec. 31, 1962	12 months Ended Nov. 30, 1961
Sales	\$933,786	\$1,030,203	\$640,201
Operating Expenses	647,995	733,871	480,372
<u>Profit on Operations</u>	<u>\$285,791</u>	<u>\$ 296,332</u>	<u>\$159,829</u>
DEDUCT:			
General Administration and Selling Expenses	63,284	79,228	74,091
PROFIT before interest and financing charges and write-offs ..	\$222,507	\$ 217,104	\$ 85,738
NET PROFIT after interest and financing charges and write-offs	<u>\$109,007</u>	<u>\$ 99,077</u>	<u>\$ 44,793</u>

The Company has not paid any dividends on its common stock.

Faraday presently owns a 6% First Mortgage of the face value of \$1,000,000 registered on the property and assets of Silica. This Mortgage forms part of the assets being transferred to Nickel Mining. Faraday does not control Silica. It has two representatives on the Silica Board, A. W. Johnston and H. B. Hicks, Faraday's President and Consulting Engineer respectively.

Western Mines Limited

This Company, whose shares are listed on the Toronto Stock Exchange, quoted at \$3.70 bid and \$3.70 asked at the close of business on the 4th day of December, 1963, is presently engaged in developing its copper, gold and silver property in the Buttle Lake area on Vancouver Island, British Columbia. Faraday has a representative on the Board of Directors of Western Mines Limited but otherwise has no control over the mining operations of that Company. Its shareholdings represent 5.1% of the issued and outstanding shares of Western Mines Limited. Faraday's investment in Western Mines Limited is not considered to be a major part of Faraday's total investments, and is not considered important in the light of the total assets of Faraday.

Subsidiaries

Trigon Associates Limited is engaged in the manufacture and sale of telemetering equipment to various public utilities and similar bodies in the Dominion of Canada. Bancroft Holdings Limited is engaged in investing in short term paper generally by way of mortgage. FML Securities Limited and Waterfront Developments Limited having been incorporated for specific purposes are inactive. Faraday's investment in subsidiaries listed are not substantial in light of the total assets of Faraday.

TAX CONSEQUENCES

It is the opinion of Counsel that the transfer of assets from Faraday to Nickel Mining will not result in any taxable transaction to either Faraday or Nickel Mining save as referred to herein. It is also the opinion of Counsel that the transaction will not result in any tax to the shareholders of either Faraday or Nickel Mining. During its first three years of production Faraday enjoyed a tax-free period under the Canadian Income Tax Act. Full depreciation was not claimed until the expiry of this period. The transfer of the physical assets of Faraday to Nickel Mining will result in a terminal loss to Faraday which loss, in the opinion of Counsel, will be available as a carry-back under the relevant provisions of the Income Tax Act. The estimated amount of this loss for tax purposes is \$1,936,000 of which \$1,106,000 may be used as a deduction against taxable income of Faraday for the six months ended June 30, 1963 and \$830,000 will be available for carry-back to 1962. It is estimated that this will result in a tax recovery from the previous year of \$431,500. In the event that future uranium contracts become available to Faraday income from the operation can be written off against the deficit position for tax purposes available in Nickel Mining. An additional \$86,000 is estimated to be payable under the Ontario Mining Tax Act as a result of this transaction.

CONSOLIDATION OF FARADAY SHARES

Faraday is presently authorized to issue 5,000,000 shares of the par value of \$1.00 each and presently has outstanding 4,405,910 shares. The proposed reorganization of its capital structure will consolidate these shares on the basis of two new shares without nominal or par value for each five shares presently outstanding and establish its authorized capital at 3,500,000 shares without nominal or par value. In view of the proposed changes in the Company's operations management feels it advisable to take this action to consolidate the shares of the Company. It is felt that this action would raise the trading range of the shares of Faraday to a much more attractive level and it is expected that the shareholders will pay a smaller commission on Stock Exchange transactions. Each of the new shares will bear one vote and will in all other respects have the same attributes as the existing shares. The directors of Faraday have no plans for issuing any of the unissued shares which will result from the consolidation of shares referred to herein. However, such excess shares may be issued from time to time by the board of directors for such purposes as they deem expedient without further reference to the shareholders.

INTERLOCKING DIRECTORS AND OFFICERS

Augustus Exploration Limited controls both Faraday and Nickel Mining.

Faraday, Nickel Mining and Augustus Exploration Limited have certain directors and officers in common. It is not anticipated that there will be any substantial changes in the directors and officers of either corporation upon completion of the transaction herein referred to. The following is a table indicating all of the directors and officers of each of the three corporations:

	FARADAY		NICKEL MINING		AUGUSTUS	
	Director	Officer	Director	Officer	Director	Officer
A. W. JOHNSTON.....	x	x	x	x	x	x
WM. McKEE.....	x	x	x	x	x	x
L. E. WETMORE.....	x		x		x	x
W. C. CAMPBELL.....	x		x		x	
A. B. WHITELAW.....	x				x	
H. B. HICKS.....			x	x	x	x
G. L. JENNISON.....	x					
J. K. McCAUSLAND.....	x					
ELIOT JANEWAY.....			x			
T. J. DAY.....			x			
WM. HOGG.....					x	

Augustus Exploration Limited which is controlled by Messrs. A. W. Johnston, W. McKee and W. C. Campbell, has an authorized capital of 10,000,000 shares of which there are issued 4,321,477. Of these issued 150,000 are beneficially owned by A. W. Johnston, 155,000 by Wm. McKee, 14,813 by W. C. Campbell and 9,815 by L. E. Wetmore; in addition, A. W. Johnston, Wm. McKee, W. C. Campbell and L. E. Wetmore, by certain voting agreements, have the right to vote a further 477,050 shares. Certain corporations of which the foregoing persons are directors and officers hold a further 511,598 shares.

The following is a table indicating the shareholdings of the various directors and officers of each of the three corporations:

	Faraday	Nickel Mining	Augustus
A. W. JOHNSTON.....	10,000	1	150,000
WM. McKEE.....	15,000	6,500	155,000
L. E. WETMORE.....	1	1	9,815
W. C. CAMPBELL.....	1	1	14,813
H. B. HICKS.....		1	5,000
T. J. DAY.....		1	
ELIOT JANEWAY.....		1	
G. L. JENNISON.....	11,005		
J. K. McCAUSLAND.....	1		
A. B. WHITELAW.....	1		1
WM. HOGG.....			1

The following table illustrates payments for management services including reimbursement for expenses incurred on behalf of Faraday to Augustus Exploration Limited and its subsidiaries with respect to both Faraday and Nickel Mining for the periods shown:

	Six Months Ended June 30, 1963	Year ended December 31		
		1962	1961	1960
Faraday	\$91,574	\$177,875	\$228,429	\$132,884
Nickel Mining.....	\$63,799	\$ 75,772	\$ 70,718	\$ 39,761

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NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

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REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF
FARADAY URANIUM MINES LIMITED:

We have examined the balance sheet of Faraday Uranium Mines Limited as at June 30, 1963 and the related statements of income and earned surplus for the period from May 1, 1957 to June 30, 1963. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in note 9 to the financial statements of Faraday Uranium Mines Limited certain mining properties are recorded in the company's accounts at amounts greater than shown in the accompanying balance sheet prepared in accordance with the requirements of the United States Securities and Exchange Commission. At June 30, 1963 depletion of mining properties was provided for in the company's accounts resulting in a retroactive adjustment and a credit to capital surplus in these financial statements and referred to in note 11(d) to the financial statements. In our opinion this capital surplus account is analogous to the company's capital stock account and as such is not available for payment of dividends.

In our opinion the accompanying balance sheet and statements of income and earned surplus, supplemented by the notes thereto, present fairly the financial position of Faraday Uranium Mines Limited as at June 30, 1963 and the results of its operations for the eight months ended December 31, 1957, for each of the five years ended December 31, 1962 and for the six months ended June 30, 1963, in conformity with generally accepted accounting principles. These principles, after giving retroactive effect to the change, which we approve, in the method of providing for depletion of mining properties, have been applied on a consistent basis except that the application of accounting principles in these financial statements differs from that in the company's published annual reports to shareholders in respect to the values shown for mining properties and capital stock as referred to in the preceding paragraph.

We have also checked, as to compilation only, the accompanying pro forma balance sheet as at June 30, 1963 of Faraday Uranium Mines Limited and the accompanying pro forma consolidating balance sheet as at June 30, 1963 and the pro forma consolidating statement of income for the six months ended June 30, 1963 of Faraday Uranium Mines Limited and its consolidated subsidiary and, in our opinion, such pro forma statements, with their notes, have been properly compiled on the basis therein stated.

Toronto, Canada,
August 1, 1963.

HILBORN, VIGEON & COMPANY
Chartered Accountants.

FARADAY URANIUM MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Balance Sheet and Pro Forma Balance Sheet

June 30, 1963

(Expressed in Canadian Currency)

A S S E T S

	Balance Sheet	Pro Forma Adjustments (Note 1)	Pro Forma Balance Sheet
CURRENT ASSETS			
Cash and short term deposits.....	\$ 986,637	(\$ 986,637)	
Short term note, at cost.....	100,000	(100,000)	
Accrued interest (Note 2).....	43,871	(43,871)	
Refinery settlements receivable.....	367,989	(367,989)	
Inventory of concentrates, at cost (Note 3).....	218,160	(218,160)	
Deposits and other accounts receivable.....	103,483	(103,483)	
Inventory of supplies, at average cost.....	232,624	(232,624)	
Prepaid expenses.....	35,585	(35,585)	
	<u>\$2,088,349</u>	<u>(\$2,088,349)</u>	
INVESTMENTS			
NICKEL MINING & SMELTING CORPORATION, AT COST			
Bonds (Interest in default—Note 5).....	\$3,014,583	(\$3,014,583)	
Shares (Note 8).....	600,000	7,382,521	\$7,982,521
Advances.....	800,000	(800,000)	
	<u>\$4,414,583</u>		
SUBSIDIARIES NOT CONSOLIDATED, AT COST (Note 6)			
Shares.....	\$ 50,011		50,011
Advances.....	817,269	(817,269)	
	<u>\$ 867,280</u>		
Less: Allowance for losses.....	126,959	126,959	
	<u>740,321</u>		
OTHER			
Canadian Silica Corporation Limited, at cost (Note 7)			
6% First mortgage.....	\$1,000,000	(1,000,000)	
Shares.....	334,442	(71,442)	263,000
	<u>1,334,442</u>		
Shares in other mining companies (market value \$805,243)			
Western Mines Limited, at cost.....	424,508		424,508
Sundry, for outside exploration, at cost less amounts written off (Note 8).....	51,987	(2)	51,985
	<u>\$6,965,841</u>	<u>\$1,806,184</u>	<u>\$8,772,025</u>
FIXED ASSETS (Notes 9, 10 and 11)			
Mining claims, rights, properties and leases.....	\$ 442,046		
Less: Accumulated depletion.....	409,609		
	<u>\$ 32,437</u>	(\$ 32,437)	
Buildings, plant and equipment, at cost.....	\$8,006,556		
Less: Accumulated depreciation.....	7,994,192		
	<u>12,364</u>	(12,364)	
	<u>\$ 44,801</u>	(44,801)	
OTHER ASSETS AND UNRECOVERED PROMOTIONAL, EXPLORATORY AND DEVELOPMENT COSTS			
Deferred development expenditures.....	\$ 5,424	(\$ 5,424)	
	<u>\$9,104,415</u>	<u>(\$ 332,390)</u>	<u>\$8,772,025</u>

The accompanying notes are an integral part of these financial statements.

The pro forma balance sheet should be read in conjunction with the pro forma consolidating balance sheet including the notes thereto shown elsewhere in this Proxy Statement.

FARADAY URANIUM MINES LIMITED
(Incorporated under the laws of the Province of Ontario)

Balance Sheet and Pro Forma Balance Sheet

June 30, 1963

(Expressed in Canadian Currency)

LIABILITIES

	Balance Sheet	Pro Forma Adjustments (Note 1)	Pro Forma Balance Sheet
CURRENT LIABILITIES			
Accounts payable.....	\$ 167,079	(\$167,079)	
Accrued payrolls.....	79,554	(79,554)	
Other accrued charges.....	31,125	(31,125)	\$ 25,000
		25,000 (c)	
Dividend payable.....	440,591	(440,591)	
Ontario mining tax payable.....	16,000	(16,000)	
Income taxes payable.....	87,000	(87,000)	
	<u>\$ 821,349</u>	<u>(\$796,349)</u>	<u>\$ 25,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

Balance sheet:

5,000,000 shares of par value of \$1.00 each

Pro forma balance sheet:

3,500,000 shares of no par value (Note 1 (b))

Issued and Fully Paid

Balance sheet:

4,405,910 shares (Note 12)..... \$2,397,765

Pro forma balance sheet:

1,762,364 shares (Note 1 (b))..... \$2,397,765

CAPITAL SURPLUS (Note 11 (d))

(Not available for payment of dividends)..... 899,999 899,999

EARNED SURPLUS.....	4,985,302	488,959 (a)	5,449,261
		(25,000) (c)	
	<u>\$8,283,066</u>	<u>\$463,959</u>	<u>\$8,747,025</u>
	<u>\$9,104,415</u>	<u>(\$332,390)</u>	<u>\$8,772,025</u>

The accompanying notes are an integral part of these financial statements.

The pro forma balance sheet should be read in conjunction with the pro forma consolidating balance sheet including the notes thereto shown elsewhere in this Proxy Statement.

FARADAY URANIUM MINES LIMITED

Statement of Earned Surplus

(Expressed in Canadian Currency)

	Six Months Ended June 30	Years Ended December 31				Eight Months Ended December 31, 1957
		1962 (Unaudited) (Note b)	1961	1960	1959	1958
Balance, at beginning of period.....	1963 \$5,759,611	\$4,596,161	\$3,143,593	\$1,961,016	\$ 663,536	\$ 30,633
Add:						
Net income for period (Note a).....	566,281	1,093,019	2,333,750	1,843,464	1,297,480	30,633
	\$6,325,892	\$5,689,180	\$5,477,343	\$2,804,480	\$1,961,016	\$ 30,633
Deduct:						
Additional depletion of mining claims, rights, properties and leases (Note 11 (d)).....	\$ 899,999					
Cash dividends declared (Note c).....	440,591	440,591	881,182	660,887		
	\$1,340,590					
Balance, at end of period.....	\$4,985,302	\$5,248,589	\$4,596,161	\$3,143,593	\$1,961,016	\$ 30,633

Notes

- (a) The amounts of net income shown above differ from amounts previously reported because of retroactive adjustments made to reflect the provision for depletion of mining claims, rights, properties and leases in the amount of \$409,609 (see Note 11 (d) to the financial statements).
- (b) See Note (e) to the statement of income for information concerning the net income for the unaudited period ended June 30, 1962.
- (c) Dividends declared have been at the rate of 15¢ per share in the year 1960, 20¢ per share in each of the years 1961 and 1962 and 10¢ per share in each of the periods ended June 30, 1962 and 1963.

See accompanying notes to financial statements.

FARADAY URANIUM MINES LIMITED

Notes to Financial Statements

June 30, 1963

1. PRO FORMA TRANSACTIONS

The pro forma balance sheet gives effect to the following adjustments:

- (a) The proposed sale, under an agreement made as of June 30, 1963, to Nickel Mining & Smelting Corporation of all of the assets and undertaking of the company other than certain share holdings in consideration for the assumption of the company's liabilities, valued for purposes of the sale at \$820,349, and the issue of 5,738,284 shares of the capital stock of Nickel Mining & Smelting Corporation as reorganized. The closing of this transaction is subject to certain conditions set out in the agreement.

The net profit on the sale credited to pro forma earned surplus is determined as follows:

	Book Value	Sale Value	Profit (Loss)
Assets			
Income taxes recoverable.....		\$431,500	\$431,500
Nickel Mining & Smelting Corporation—accrued bond interest.....		139,500	139,500
Subsidiaries—allowance for losses on advances.....	(\$126,959)	(210,000)	(83,041)
Liabilities			
Ontario mining tax payable.....	(16,000)	(102,000)	(86,000)
Income taxes payable.....	(87,000)		87,000
	<u>(\$229,959)</u>	<u>\$259,000</u>	
Net profit credited to pro forma earned surplus.....			<u>\$488,959</u>

Reference should be made to Note 1 to the financial statements and pro forma balance sheet of Nickel Mining & Smelting Corporation included elsewhere in this Proxy Statement for (1) particulars as to the determination of the sale value shown above and (2) information as to the values placed on the net assets of both companies and the determination of the share consideration.

- (b) The issue of supplementary letters patent of the Province of Ontario changing the authorized capital stock of the company from 5,000,000 shares of par value of \$1.00 each to 3,500,000 shares of no par value and changing the number of issued shares from 4,405,910 par value shares to 1,762,364 no par value shares.
- (c) Provision of \$25,000 to cover the estimated costs to be incurred by the company in effecting the above transactions. This expense is charged to pro forma earned surplus.

2. ACCRUED INTEREST RECEIVABLE

This account includes amounts from:

Nickel Mining & Smelting Corporation.....	\$ 225
Subsidiaries.....	11,165
	<hr/>
	\$11,390
	<hr/>

3. INVENTORY OF CONCENTRATES

The inventory of concentrates is valued at cost applied on the first-in, first-out basis determined by using average costs for the three months ended June 30, 1963.

4. TRANSACTIONS WITH AFFILIATED COMPANIES

The term affiliate used in these financial statements refers to companies under common control with the company by reasons other than by ownership of a majority of shares.

With the exception of the purchase of leasehold property for 467,600 shares of the company, the cost of which was \$8,719 to Augustus Exploration Limited, and the issue of other shares for cash at prices determined on an essentially arbitrary basis, transactions with affiliated companies have been incurred in the ordinary course of business. It is impracticable to estimate the amount of profits realized by affiliates on transactions incurred in the ordinary course of business but they could be considered reasonable in the circumstances.

5. INVESTMENT—NICKEL MINING & SMELTING CORPORATION

The company has agreed that the payment of interest on the series "B" bonds of Nickel Mining & Smelting Corporation be deferred until April 1, 1965. The unpaid amount of interest of \$139,500 accrued from October 1, 1962 has not been included in the financial statements.

6. SUBSIDIARY COMPANIES NOT CONSOLIDATED

The accounts of the subsidiaries have not been consolidated since they are not material in relation to those of the company. The company's proportion of losses of these subsidiaries incurred since acquisition have been provided for in the company's accounts with the exception that the company's proportion of \$13,753 of the estimated loss of a subsidiary, referred to in the next paragraph of this note, whose fiscal year end is February 28, has not been recorded in the accounts for the four months ended June 30, 1963.

Investment in and advances to a subsidiary, after allowance for the company's proportion of losses since acquisition, are recorded at \$135,083 in excess of the total book value of the net assets of the subsidiary. The company has guaranteed bank credit for this subsidiary up to a maximum of \$200,000. At June 30, 1963 the loan under this arrangement amounted to \$195,000.

7. INVESTMENT—CANADIAN SILICA CORPORATION LIMITED

Funds to the extent of \$1,000,000 were provided in return for a 6% first mortgage and in addition the company secured 1 common share for every \$2 of funds provided. The quoted market value at June 30, 1963 of these common shares and other common shares purchased was \$1,132,510, which amount should not necessarily be construed as representative of the realizable value of the block of shares held. The company also holds preferred shares having a par value of \$79,380.

8. OUTSIDE EXPLORATION PROJECTS

The company's policy with regard to exploration expenditures on outside properties has been to charge these costs direct to expense as incurred unless in its opinion shares received in consideration for such expenditures have some definite value. These shares are shown on the company's balance sheet at cost (Nickel Mining & Smelting Corporation—\$500,000) or at cost less amounts written off for estimated loss in value (sundry—\$51,987).

9. MINING CLAIMS, RIGHTS, PROPERTIES AND LEASES

This account consists of the following:

Freehold

Acquired for cash, at cost.....	\$271,825	
Acquired for 80,000 shares of the company's capital stock, at cost.....	120,000	
Acquired from A. H. Shore for 833,320 shares of the company's capital stock, at cost to vendor.....	41,502	\$433,327

Leasehold

Acquired from Augustus Exploration Limited for 467,600 shares of the com- pany's capital stock, at cost to vendor.....	8,719	
		<u>\$442,046</u>

The cost of certain mining properties acquired in consideration for shares of the company's capital stock from A. H. Shore and Augustus Exploration Limited has been recorded in the company's accounts and shown in the company's published annual reports to shareholders at \$950,220. According to the requirements of the United States Securities and Exchange Commission these properties are shown in the above schedule at \$50,221 which was the cost of these properties to the vendors. The reduction of \$899,999 has been reflected in the values shown for the capital stock issued for these properties as set out in Note 12. Reference should be made to Note 11 (d) for particulars of the provision of depletion of these properties.

The cost to A. H. Shore of mining properties acquired by the company from him has been determined as follows:

Cash.....	\$ 5,077
36,425 shares of the company's capital stock, par value \$1.00 per share.....	36,425
	<u>\$41,502</u>

10. BUILDINGS, PLANT AND EQUIPMENT

Buildings, plant and equipment consist of the following:

Buildings.....	\$3,547,243
Plant and equipment.....	4,459,313
	<u>\$8,006,556</u>

11. DEPRECIATION, DEPLETION AND AMORTIZATION POLICY

- (a) Assets acquired and expenses incurred to September 30, 1962:

Depreciation of buildings, plant and equipment and amortization of deferred development and preproduction expenditures and expenses on capital stock have been calculated on the basis that the production during each period in respect of the Eldorado-United States Atomic Energy Commission sales contract bore to the total contract held. Depreciation and amortization was fully provided for at September 30, 1962.

- (b) Assets acquired and expenses incurred after September 30, 1962:

Depreciation and amortization is to be provided for in full by June 30, 1964, the expiry date of present sales contracts, on the same basis as set forth above for the Eldorado-U.S.A.E.C. contract now completed.

- (c) Maintenance, repairs and minor renewals are charged to expense as incurred. Other renewals, betterments and additions are charged to fixed asset accounts. The asset and accumulated depreciation accounts are adjusted on disposal and any profit or loss is reflected in the statement of income.
- (d) It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's policy has been to not make any provision in its accounts. At June 30, 1963, however, depletion of \$1,309,608 was provided for in the company's accounts to the extent of the balance in the property account, with the exception of a nominal amount of \$1.00 and \$32,436 which is the cost of land used for residential purposes away from the mining area. The accompanying statements of income and earned surplus have been retroactively adjusted to reflect provision for depletion in the amount of \$409,609 over the period of the Eldorado-U.S.A.E.C. contract based on production (see Note 11 (a)). Because the mining properties are shown in these financial statements at \$899,999 less than the cost recorded in the company's accounts (see Note 9) this portion of the provision has been charged to earned surplus and credited to capital surplus in these statements. This capital surplus has been recorded in the company's accounts and shown in the company's published annual reports to shareholders as capital stock.

- (e) It was the company's policy to amortize the debenture discount and expenses over the period from May 1, 1957 to the date of maturity of the debentures, pro-rata on a straight-line method according to the dates on which the said debentures were to be redeemed. At September 15, 1960 the outstanding debentures were called for redemption prior to the date of maturity and the unamortized discount and expenses were written off at that date.

12. CAPITAL STOCK

The capital stock issued and fully paid is accounted for as follows:

For cash, par value.....	\$2,824,990	
Less: Discount.....	610,109	\$2,214,881
For exploration and development expenditures made by A. H. Shore, par value.....	\$ 200,000	
Less: Discount.....	187,337	12,663
For mining properties		
Acquired from A. H. Shore, par value (Note 9).....	\$ 833,320	
Less: Excess of par value over cost to vendor of acquired properties....	791,818	41,502
Acquired from Augustus Exploration Limited, par value (Note 9).....	\$ 467,600	
Less: Discount.....	350,700	
	\$ 116,900	
Less: Excess of discounted value over cost to vendor of acquired properties	108,181	8,719
Acquired from others, par value.....	\$ 80,000	
Add: Premium.....	40,000	120,000
Total — 4,405,910 shares		<u>\$2,397,765</u>

13. INCOME TAXES

The income derived from the operation of the company's mining property at Bancroft was exempt from corporation income tax for the three year period ending April 30, 1960. During this period depreciation of fixed assets and amortization of deferred charges recorded in the company's accounts (see Note 11 (a)) was substantially in excess of the amounts claimed for tax purposes on other income. The cost of shares in Nickel Mining & Smelting Corporation shown on the company's balance sheet includes \$500,000 incurred for exploration and development expenditures in consideration for shares (see Note 8). This amount was claimed for income tax purposes by the company in the year 1961. No taxes were payable for the period from April 30, 1960 to December 31, 1961 because of sufficient charges for depreciation and write-offs of development and preproduction expenditures to eliminate any taxable income.

Income taxes for the year ended December 31, 1962 and for the six months ended June 30, 1963 have been reduced by claiming depreciation and write-offs of approximately \$1,090,000 and \$464,000 respectively in excess of the amounts shown in the financial statements for the periods. These amounts have been recorded in the company's accounts in prior years. At June 30, 1963 the accumulated depreciation charged in the company's accounts which is available for deduction for income tax purposes in future years is approximately \$2,653,000.

14. PENSION PLAN

On March 1, 1961 the company introduced a registered contributory retirement pension plan for its full-time permanent salaried employees who qualify as to age and term of continuous employment. The plan is administered by the Canada Life Assurance Company, Toronto, Canada.

The employee's contribution of 5% of monthly earnings together with the balance of the cost contributed by the company purchases a monthly pension for each member in the amount of 1½% of monthly earnings for each year of membership in the plan. In addition the company has provided for a past service benefit in the amount of 1% of each member's monthly earnings at the date of introduction of the plan, multiplied by the number of whole years (not exceeding ten years) of continuous service completed before such date as an employee of the company, an associated company or predecessor company. Certain provisions exist for the refund to the company of its contributions on termination of employment and for the payment of the pension to a beneficiary in case of death.

Normal retirement age is 65 but optional retirement date may be a maximum of 10 years prior to this at a reduced pension.

The company's net contributions to the plan have been as follows:

		Future Services	Past Services
1961 (10 months).....		\$3,960	\$44,735
1962 (12 months).....		3,499	(5,630)
1963 (6 months).....		2,280	(313)

15. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(Information not shown separately on statement of income)

	Six Months Ended June 30, 1963	Years Ended December 31		
		1962	1961	1960
Charged to profit and loss				
Maintenance and repairs				
Buildings, plant and equipment (excluding charges on mill equipment which are not available).....				
Charged to:				
Mine operating expenses.....	\$52,603	\$ 82,625	\$112,084	\$169,715
Sundry income.....	6,150	7,660	11,648	11,027
	<u>\$58,753</u>	<u>\$ 90,285</u>	<u>\$123,732</u>	<u>\$180,742</u>
Taxes, other than income taxes				
Municipal taxes				
Provincial capital and place of business taxes				
Not material				
Sales taxes				
Not available				
Management and service contract fees				
Services rendered by Augustus Exploration Limited and its wholly-owned subsidiaries (including reimbursement for ex- penses incurred on behalf of the company)				
Charged to:				
Mine operating expenses.....	\$41,398	\$ 81,315	\$116,598	\$ 68,700
Administrative expenses.....	38,706	78,845	111,018	63,999
Outside exploration.....	11,470	17,715	813	185
	<u>\$91,574</u>	<u>\$177,875</u>	<u>\$228,429</u>	<u>\$132,884</u>
Rents				
Not material				
Directors' Fees				
Charged to administrative expenses.....	\$ 6,500	\$ 14,200	\$ 14,400	\$ 9,700

Note:

Charges to mine operating expenses referred to above have been made to development, mining and milling expenses.

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REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF
NICKEL MINING & SMELTING CORPORATION
(No Personal Liability):

We have examined the financial statements of Nickel Mining & Smelting Corporation (No Personal Liability) listed in the accompanying index. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; however, it was not practicable to verify by physical inspection the quantities of the inventory of concentrates, as to which we have satisfied ourselves by means of other auditing procedures. The pro forma balance sheet is based upon the accompanying balance sheet of Nickel Mining & Smelting Corporation (No Personal Liability) as at June 30, 1963 and the pro forma adjustments identified in Note 1.

In our opinion, based upon such examination

- (1) the accompanying balance sheet presents fairly the financial position of Nickel Mining & Smelting Corporation (No Personal Liability) as at June 30, 1963
- (2) the related statement of operations presents fairly the results of its operations for the six months ended June 30, 1963
- (3) the related statement of deficit presents fairly the results of its operations for the eighteen months ended June 30, 1963
- (4) the related schedule of unrecovered promotional, exploratory and development costs presents fairly the data included therein
- (5) the related schedule of Chicoutimi Smelter Division expenditures written off presents fairly the data included therein,

all in conformity with generally accepted accounting principles consistently applied.

In our opinion the accompanying pro forma balance sheet of Nickel Mining & Smelting Corporation (No Personal Liability) presents fairly, in accordance with generally accepted accounting principles, the position of the company as it would have appeared at June 30, 1963 had the transactions set forth in Note 1 been consummated at that date.

Toronto, Canada,
August 1, 1963.

THORNE, MULHOLLAND, HOWSON & MCPHERSON
Chartered Accountants.

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

(Incorporated under the laws of Quebec)

Balance Sheet and Pro Forma Balance Sheet

June 30, 1963

(Expressed in Canadian Currency)

ASSETS

	Balance Sheet	Pro Forma Adjustments (Note 1)	Pro Forma Balance Sheet
CURRENT ASSETS			
Cash and short-term deposits.....	\$ 6,492	\$ 479,137	\$ 485,629
Short-term note, at cost.....		100,000	100,000
Accrued interest (including \$11,165 from affiliates).....		43,646	43,646
Refinery settlements receivable.....		367,989	367,989
Inventory of concentrates (Note 2).....	686,236	218,160	904,396
Deposits and other accounts receivable.....	4,221	103,483	107,704
Income taxes recoverable.....		431,500	431,500
Inventory of supplies, at average cost.....	151,023	232,624	383,647
Prepaid expenses.....	33,222	35,585	68,807
TOTAL CURRENT ASSETS.....	\$ 881,194	\$2,012,124	\$ 2,893,318
INVESTMENTS			
Canadian Silica Corporation Limited, at cost:			
6% First mortgage.....	\$1,000,000		
Preference shares.....	71,442	\$1,071,442	\$ 1,071,442
Smelter Power Corporation:			
Shares at nominal value (Note 3).....	1		
Advances.....	159,120	159,121	159,121
Advances to affiliated companies.....	817,269		
Less Allowance for losses.....	210,000	607,269	607,269
	\$ 159,121	\$1,678,711	\$ 1,837,832
FIXED ASSETS			
Buildings, plant and equipment (Notes 4, 5 and 6).....	\$2,747,865	\$ 12,364	\$ 2,760,229
Less Allowance for Depreciation.....	137,393		137,393
	\$2,610,472	\$ 12,364	\$ 2,622,836
Mining claims, rights, properties and leases (Notes 5 and 7).....	2,501	32,437	34,938
	\$2,612,973	\$ 44,801	\$ 2,657,774
OTHER ASSETS AND UNRECOVERED PROMOTIONAL, EXPLORATORY AND DEVELOPMENT COSTS			
Interest in power line, at cost (Note 8).....	\$ 211,612		\$ 211,612
Deferred development expenditures.....		\$ 5,424	5,424
Preproduction expenditures at unamortized cost (Notes 4 and 5).....	5,119,395	2	5,119,397
	\$5,331,007	\$ 5,426	\$ 5,336,433
TOTAL ASSETS.....	\$8,984,295	\$3,741,062	\$12,725,357

The accompanying notes are an integral part of the financial statements.

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

(Incorporated under the laws of Quebec)

Balance Sheet and Pro Forma Balance Sheet

June 30, 1963

(Expressed in Canadian Currency)

LIABILITIES

	Balance Sheet	Pro Forma Adjustments (Note 1)	Pro Forma Balance Sheet
CURRENT LIABILITIES			
Bank loan, secured	\$ 409,000		\$ 409,000
Accounts payable and accrued expenses (Note 9)	115,910	\$ 743,349	859,259
Accrued interest on Series "A" bonds	7,725	(7,725)	
Provision for Ontario mining tax	1,175	102,000	103,175
Sinking fund requirement, 6% first mortgage bonds	140,000	(140,000)	
TOTAL CURRENT LIABILITIES	\$ 673,810	\$ 697,624	\$ 1,371,434
LONG-TERM DEBT			
6% First mortgage sinking fund bonds, maturing March 31, 1968 (Note 10)			
Series "A"	515,000	(515,000)	
Series "B"	3,100,000	(3,100,000)	
	\$3,615,000	(\$3,615,000)	
Less Sinking fund requirement included under current liabilities	140,000	(140,000)	
	\$3,475,000	(\$3,475,000)	
Accrued bond interest (Note 11)	139,500	(139,500)	
Loans from other mining companies	900,000	(800,000)	\$ 100,000
Accounts payable not due within one year	38,902		38,902
	\$4,553,402	(\$4,414,500)	\$ 138,902
TOTAL LIABILITIES	\$5,227,212	(\$3,716,876)	\$ 1,510,336

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized:

Balance sheet, 8,500,000 shares, \$1.00 par value each

Pro forma balance sheet, 8,500,000 shares, \$1.00 par value each

Issued:

Balance sheet, 7,387,082 shares (Note 12)

\$7,387,082

Pro forma balance sheet, 7,215,700 shares (Note 13)

(\$ 171,382)

\$ 7,215,700

DEFICIT

(3,629,999)

75,417

(3,554,582)

CONTRIBUTED SURPLUS (Note 13)

7,553,903

7,553,903

TOTAL SHAREHOLDERS' EQUITY

\$3,757,083

\$7,457,938

\$11,215,021

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$8,984,295

\$3,741,062

\$12,725,357

The accompanying notes are an integral part of the financial statements.

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

Statement of Deficit Eighteen months ended June 30, 1963

(Expressed in Canadian Currency)

		Year ended December 31, 1962	Six months ended June 30, 1963
Balance at beginning of period.....			\$3,334,239
Write-off of Chicoutimi Smelter Division expenditures (Note 4):			
Land, buildings, plant and equipment.....	\$3,833,544		
Preproduction expenditures.....	2,168,885	\$6,002,429	
Write-down of investment in Smelter Power Corporation to nominal value (Note 3).....		1,199,999	
Other amounts written off:			
Loss on disposal of assets.....	\$ 99,911		
Investment in and advances to Struan Uranium Mines Limited.....	50,334		
Bond discount.....	15,000		
Incorporation and organization expenses.....	10,064	175,309	
Charges incurred during period:			
Loss on disposal of assets.....	\$ 131,814		
Bond discount.....	85,417		
Chicoutimi Smelter Division expenses.....	10,080	227,311	
Loss for period.....			295,760
DEDUCT Contributed surplus (Note 12).....		\$7,605,048 4,270,809	\$3,629,999
BALANCE AT END OF PERIOD.....		\$3,334,239	\$3,629,999

The accompanying notes are an integral part of the financial statements.

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

Schedule of Unrecovered Promotional, Exploratory and Development Costs—Preproduction Expenditures

From date of incorporation of predecessor company,
April 1, 1952, to June 30, 1963

(Expressed in Canadian Currency)

QUEBEC NICKEL CORPORATION LIMITED FROM INCORPORATION, APRIL 1, 1952, TO
DECEMBER 31, 1955:

Exploration and development:

Diamond drilling.....	\$281,800		
Drifting and crosscutting.....	163,608		
Shaft sinking.....	75,154		
Supervision and engineering.....	60,672		
General mine expense.....	52,988		
Exploration.....	51,127		
Transportation and travelling expenses.....	28,707		
Plant and camp maintenance.....	28,353		
Assaying.....	26,133		
Cookery and commissary.....	21,595		
Miscellaneous.....	47,480	\$837,617	

Administration:

Public relations and shareholders' information.....	\$ 36,732		
Executive and other salaries, directors' fees and expenses.....	27,184		
Legal and audit.....	25,038		
Miscellaneous.....	42,982	131,936	\$ 969,553

EASTERN SMELTING AND REFINING COMPANY LIMITED FROM INCORPORATION, MAY 6,
1953, TO DECEMBER 31, 1955:

General exploration.....	\$ 12,638		
Exploration, LaRouche and Gordon Lake claims.....	15,672	28,310	

NICKEL MINING & SMELTING CORPORATION (previously Eastern Mining & Smelting
Corporation Ltd.) PERIOD FROM JANUARY 1, 1956, TO DECEMBER 31, 1962:

Exploration, development and general property expenses:

Drifting and crosscutting.....	\$ 934,557
Shaft sinking and winzes.....	606,185
Road maintenance and construction.....	399,186
Miscellaneous.....	328,929
Raises.....	283,607
Diamond drilling.....	272,175
Mining.....	181,095
Engineering and geological salaries.....	148,194
Plant and camp maintenance and rehabilitation.....	136,121
Stations and sumps.....	102,766
Cookhouse expenses.....	97,329
Heat and light.....	86,783
Milling.....	73,863
Mine management salaries.....	64,389
Marketing.....	63,082
Ventilation raise.....	61,701
Insurance.....	47,929
Tools and equipment rental.....	43,932
Air freight and transportation.....	43,635
Bunkhouse expenses.....	39,664
Supplies written off.....	39,307
Outside exploration.....	31,963
Office and stores.....	22,141
Underground substation.....	11,414
Sampling and assaying.....	7,643

\$4,127,590

Deduct Sale of concentrates..... 488,880

Carried forward..... \$3,638,710 \$ 997,863

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

Schedule of Unrecovered Promotional, Exploratory and Development Costs — Preproduction Expenditures (*Continued*)

From date of incorporation of predecessor company,

April 1, 1952, to June 30, 1963

(Expressed in Canadian Currency)

Brought forward.....		\$3,638,710	\$ 997,863
Administration and financial expenses:			
Bond interest.....	\$ 232,762		
General administration.....	105,714		
Legal and audit.....	85,406		
Administration fees.....	50,520		
Travel.....	45,543		
Executive salaries.....	43,750		
Transfer agent fees.....	42,154		
Trustee fees re proposal to creditors (1959).....	36,542		
Bond issue expense.....	33,284		
Office salaries.....	21,101		
Loan interest.....	17,298		
Rent.....	16,443		
Shareholders' annual reports.....	16,212		
Fees.....	11,350		
	<u>\$ 758,079</u>		
Deduct Interest earned.....	5,815	752,264	4,390,974
			<u>\$5,388,837</u>
Deduct Amount written off, six months ended June 30, 1963 (Note 5).....			269,442
			<u>\$5,119,395</u>

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

Schedule of Chicoutimi Smelter Division Preproduction Expenditures Written Off

(Expressed in Canadian Currency)

EASTERN SMELTING AND REFINING COMPANY LIMITED FROM INCEPTION, MAY 6, 1953, to DECEMBER 31, 1955:

Site development and property maintenance.....	\$ 167,491	
Administration.....	138,963	\$ 306,454

NICKEL MINING & SMELTING CORPORATION (previously Eastern Mining & Smelting Corporation Ltd.) PERIOD FROM JANUARY 1, 1956, to DECEMBER 31, 1962:

Contract cancellation costs.....	\$1,389,857	
General property expenses.....	388,886	
Administration.....	131,064	1,909,807

Commission sale of capital stock of predecessor corporation..... 31,500

Deduct Interest on advances to Smelter Power Corporation..... 78,876

\$2,168,885

The accompanying notes are an integral part of the financial statements.

NICKEL MINING & SMELTING CORPORATION

(No Personal Liability)

Notes to Financial Statements and Pro Forma Balance Sheet June 30, 1963

1. PRO FORMA TRANSACTIONS

The pro forma balance sheet gives effect to the following adjustments:

- (a) Reduction of the authorized capital by the cancellation of 5,909,666 issued shares (being 4 out of every 5 issued shares).
- (b) Increase of the authorized capital by the creation of 5,909,666 additional shares of \$1.00 par value each ranking on a parity with the shares previously authorized.
- (c) Issuance of 5,738,284 shares to Faraday Uranium Mines Limited to acquire its net assets (exclusive of certain share holdings).

The entry to record the acquisition and subsequent write down of certain assets to Faraday's book value would be:

Cash and short-term deposits.....	\$ 986,637	
Short-term note.....	100,000	
Accrued interest.....	43,646	
Accrued interest on Series "A" bonds.....	225	
Refinery settlements receivable.....	367,989	
Deposits and other accounts receivable.....	103,483	
Inventory of concentrates.....	218,160	
Inventory of supplies.....	232,624	
Prepaid expenses.....	35,585	
Income taxes recoverable, prior year.....	431,500	
6% First mortgage sinking fund bonds.....	3,014,583	
Accrued bond interest.....	139,500	
Loans from other mining companies.....	800,000	
Investments:		
Canadian Silica Corporation Limited:		
Mortgage.....	1,000,000	
Preferred shares.....	71,442	
Other advances (less \$210,000 allowance for losses).....	607,269	
Mining claims, rights, properties and leases.....	32,437	
Buildings, plant and equipment.....	12,364	
Deferred development expenditures.....	5,424	
Outside exploration.....	2	
Accounts payable and accrued expenses.....		\$ 718,349
Provision for Ontario mining tax.....		102,000
Contributed surplus.....		1,644,237
Capital stock (representing 5,738,284 shares).....		5,738,284
	<u>\$ 8,202,870</u>	<u>\$ 8,202,870</u>

To determine the ratio that the net assets contributed by Faraday bear to the net assets owned by the company, the book values have been used with the following exceptions:

Faraday Uranium Mines Limited:

Inventory of concentrates—at Faraday's contract selling price.

Income taxes recoverable—this asset results from the sale to the company of Faraday's buildings, plant and equipment at a price which is less than their undepreciated capital cost for income tax purposes, producing a terminal loss on disposal of these assets.

Accrued bond interest—the interest on the Series "B" bonds is accrued up to June 30, 1963.

Allowance for losses on advances—this allowance has been increased to provide for additional possible losses.

Buildings, plant and equipment as valued by management.

Mining claims, rights, properties and leases—at the estimated profit from the Faraday uranium contract less income taxes thereon.

Outside exploration—at a discounted value of tax savings on expenses available for deduction in determining taxable income for future years. This amount, being similar in nature to preproduction expenditures, is

included therewith in the pro forma balance sheet. Shares of Johnsby Mines Limited and Mount Nansen Mines Limited, to be received for certain exploration expenses, are included in this valuation.

Provision for Ontario mining tax—this provision is increased by \$86,000, mainly due to the fact that the Faraday buildings, plant and equipment are sold at a price which is greater than the undepreciated value for mining tax purposes, resulting in an additional profit for mining tax purposes.

Income taxes payable—this liability is eliminated—see reference to income taxes recoverable above.

Nickel Mining & Smelting Corporation:

Buildings, plant and equipment—as valued by management.

Mining claims and rights—at the estimated profit from the company's nickel contract.

Preproduction expenditures—at a discounted value on expenses available for deduction in determining taxable income of future years.

After reflecting the above revisions the adjusted value of net assets to be acquired is 3.884 times the adjusted value of the net assets owned prior to the acquisition and the company is required to issue 5,738,284 shares to Faraday Uranium Mines Limited.

The company's liability for the 6% First mortgage sinking fund bonds, Series "B", amounting to \$3,100,000 and Series "A" to the extent of \$15,000 is offset by the acquisition of these bonds from Faraday Uranium Mines Limited at Faraday's cost amounting to \$3,014,583. The gain on the bond cancellation amounting to \$100,417 is credited to the pro forma deficit account.

(d) Provision of \$25,000 to cover the estimated costs to be incurred by the company in effecting the proposed acquisition. This expense is charged to the pro forma deficit account.

(e) The repayment of \$500,000 Series "A" bonds with accrued interest of \$7,500 to June 30, 1963.

The pro forma balance sheet should be read in conjunction with the financial statements of Faraday Uranium Mines Limited, including the notes to such financial statements, included in this Proxy Statement.

2. INVENTORY OF CONCENTRATES

The inventory of concentrates has been valued as follows:

Nickel Mining & Smelting Corporation, at estimated net realizable value.....	\$686,236
Faraday Uranium Mines Limited, at Faraday's cost.....	218,160
	<hr/>
	<u>\$904,396</u>

3. INVESTMENT, SMELTER POWER CORPORATION

As it was anticipated that the investment in Smelter Power Corporation, formerly a wholly-owned subsidiary, would realize very little and as two-thirds of the original interest in this company has been assigned to other parties, in consideration of their making financial arrangements so that Smelter Power Corporation could meet its interest obligations, the cost of this investment was written down to a nominal value of \$1 during 1962 by charging \$1,199,999 to deficit account.

4. CHICOUTIMI SMELTER DIVISION

As the company has assigned, pursuant to the consideration mentioned in Note 3, its interest in real property located at Chicoutimi, Quebec, to Smelter Power Corporation, the company wrote off, in 1962, the cost of land, buildings, plant and equipment at its Chicoutimi Smelter Division amounting to \$3,833,544 and related unrecovered promotional, exploratory and development costs of \$2,168,885.

5. DEPRECIATION, DEPLETION AND AMORTIZATION POLICY

No provision has been made for depletion of mining claims, rights, properties and leases.

The company has provided for depreciation and amortization commencing January 1, 1963, on a straight-line basis of 10% per annum on cost and it is the present intention to continue such policy.

Maintenance, repairs and minor renewals are charged to expense as incurred. Other renewals, betterments and additions are charged to fixed asset accounts. The asset accounts are adjusted on disposal and any profit or loss has been reflected in the statement of deficit up to December 31, 1962, and thereafter in the statement of operations.

6. BUILDINGS, PLANT AND EQUIPMENT

Buildings, plant and equipment consist of the following:

Buildings.....	\$ 925,963
Plant and equipment.....	1,821,902
Balance sheet, at cost.....	<u>\$2,747,865</u>
Faraday's buildings, plant and equipment, at Faraday's book value.....	12,364
Pro forma balance sheet.....	<u><u>\$2,760,229</u></u>

7. MINING CLAIMS, RIGHTS, PROPERTIES AND LEASES

Mining claims and rights, all located in the Gordon Lake Area of North-Western Ontario, are as follows:

113 patented mining claims acquired by a predecessor company, Quebec Nickel Corporation Limited, as follows:

13 claims for \$16,200 cash and 50,000 shares of Quebec Nickel (now represented by 6,061 shares of Nickel Mining & Smelting Corporation) valued at \$1,850.

30 claims for \$15,000 cash and 300,000 shares of Quebec Nickel (now represented by 36,364 shares of Nickel Mining & Smelting Corporation) valued at \$11,050.

70 claims by staking at an estimated cost of \$200 per claim.

11 patented mining claims acquired by the company through staking.

10 unpatented mining claims acquired by the company through staking.

All of the above 134 claims are shown on the books of the company at a nominal value of.....	\$ 1
A 90% interest in 41 unpatented mining claims acquired by the company for cash.....	2,500
	<u>\$2,501</u>

The asset in the pro forma balance sheet is as follows:

As above.....	\$ 2,501
Faraday's mining claims, rights, properties and leases, at Faraday's book value.....	32,437
	<u>\$ 34,938</u>

Summary of write-down of mining claims in 1959 (Note 13):

113 patented mining claims acquired by a predecessor company, Quebec Nickel Corporation Limited, as noted above, for \$31,200 cash, 350,000 shares of Quebec Nickel valued at \$12,900 and estimated staking costs of \$14,000.....	\$ 58,100
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Other claims acquired by predecessor companies which have since been abandoned by the company are as follows:

91 claims acquired by Eastern Smelting & Refinery Company Limited for 900,000 shares of Eastern Mining (now represented by 327,273 shares of Nickel Mining & Smelting Corporation) valued at.....	\$900,000
120 claims acquired by Quebec Nickel Corporation Limited through staking at an estimated cost of \$200 per claim.....	24,000
29 claims acquired by Quebec Nickel Corporation for 600,000 shares of Quebec Nickel (now represented by 72,727 shares of Nickel Mining & Smelting Corporation) valued at.....	22,100
Other sundry acquisitions, for cash.....	2,225
	<u>948,325</u>
	<u><u>\$1,006,425</u></u>

8. INTEREST IN POWER LINE

This account represents the cost of having a power line constructed to the mine property at Gordon Lake, Ontario. This cost is recoverable by the company from The Hydro Electric Power Commission of Ontario by means of a line compensation, amounting to 25% of the power paid for by the company during each year. As at June 30, 1963 the company has recovered \$13,575 of its original cost.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	Balance Sheet	Pro Forma Balance Sheet
Accounts payable (trade).....	\$ 56,957	\$224,036
Dividend payable to shareholders of Faraday Uranium Mines Limited....	—	440,591
Accrued payrolls.....	28,482	108,036
Other accruals.....	30,471	61,596
Estimated costs to be incurred in effecting the proposed acquisition (Note 1(d)).....	—	25,000
	<u>\$115,910</u>	<u>\$859,259</u>

10. 6% FIRST MORTGAGE SINKING FUND BONDS

The trust deed securing the 6% first mortgage sinking fund bonds requires the establishment of a sinking fund equal to 15% of the net cash receipts, as defined therein, derived in each fiscal year, for the redemption of Series "A" bonds at par. The amount to be paid into this fund as a result of operations for the six months ended June 30, 1963 is approximately \$140,000. After all the Series "A" bonds have been redeemed, quarterly sinking fund payments of \$200,000 are to be made for the redemption of Series "B" bonds at par.

Purchase warrants are attached to each bond entitling the holder thereof to subscribe for 250 shares of the capital stock of the company for each \$1,000 principal amount of bonds held, at \$1.25 per share. There are 903,750 shares of the company's capital stock reserved for the exercise of such warrants.

Based on the results of operations for the six months ended June 30, 1963 and assuming the net cash receipts will be received on a basis consistent with that of the six months ended June 30, 1963, the sinking fund requirements for the five years following the date of the balance sheet are:

	The Company	Pro Forma Company
First year.....	\$280,000	—
Second year.....	628,000	—
Third year.....	800,000	—
Fourth year.....	800,000	—
Fifth year.....	800,000	—

11. ACCRUED BOND INTEREST

By agreement with the holders of the Series "B" 6% first mortgage sinking fund bonds, payment of this interest is deferred until April 1, 1965.

12. CAPITAL STOCK

The company's capital stock consists of one class only.

In terms of the present capitalization, shares have been issued as follows:

	No. of Shares and Par Value
For cash.....	\$6,369,658
For mining claims since abandoned or written down to \$1.....	442,424
In settlement of liabilities under litigation.....	400,000
For services.....	175,000
	<u>\$7,387,082</u>

The company was incorporated by Letters Patent December 16, 1955 under the name of Eastern Mining & Smelting Corporation Ltd. (No Personal Liability), the above Letters Patent confirmed the amalgamation of Eastern Smelting and Refining Company Limited (No Personal Liability) and Quebec Nickel Corporation Limited (No Personal Liability).

By Supplementary Letters Patent dated March 19, 1958 the name of the company was changed to Nickel Mining & Smelting Corporation (No Personal Liability) and issued capital was decreased from \$4,383,343 to \$1,593,943 by cancellation pro rata of 2,789,400 issued shares and the authorized capital was increased to \$7,000,000 by the creation of 4,789,400 additional shares of \$1.00 par value.

By Supplementary Letters Patent dated January 4, 1960, the authorized capital was increased to \$8,500,000 by the creation of 1,500,000 additional shares of \$1.00 par value.

The presently issued capital stock is made up as follows:

	No. of Shares and Par Value	Premium or (Discount)	Surplus arising from cancellation of capital stock	Total
Issued pursuant to Letters Patent dated December 16, 1955:				
Eastern Smelting and Refining Company Limited....	\$1,900,007	\$ 496,214		\$ 2,396,221
Quebec Nickel Corporation Limited.....	1,483,336	1,137,918		2,621,254
	<u>3,383,343</u>	<u>1,634,132</u>		<u>5,017,475</u>
Issued during 1956 and 1957.....	1,000,000	4,500,000		5,500,000
	<u>4,383,343</u>	<u>6,134,132</u>		<u>10,517,475</u>
Cancelled by Supplementary Letters Patent dated March 19, 1958.....	2,789,400		\$2,789,400	
	<u>1,593,943</u>	<u>6,134,132</u>	<u>2,789,400</u>	<u>10,517,475</u>
Additional shares issued since date of Supplementary Letters Patent.....	5,793,139	(3,646,298)		2,146,841
Balance, June 30, 1963.....	<u>\$7,387,082</u>	<u>\$2,487,834</u>	<u>\$2,789,400</u>	<u>\$12,664,316</u>

The net premium on the issue of capital stock amounting to \$2,487,834 and the surplus arising from cancellation of capital stock amounting to \$2,789,400 were credited to contributed surplus account. During 1962 the balance of the contributed surplus account was utilized to reduce the deficit account.

The following is an analysis of the contributed surplus account:

Net premium on issue of capital stock (as noted above).....	\$2,487,834
Surplus arising from cancellation of capital stock (as previously noted).....	2,789,400
	<u>5,277,234</u>
Deduct write-down of mining claims and rights to nominal value of \$1 in 1959.....	1,006,425
Balance utilized to reduce deficit account.....	<u>\$4,270,809</u>

13. PRO FORMA CAPITAL STOCK AND CONTRIBUTED SURPLUS

The 7,215,700 issued shares as shown on the pro forma balance sheet consist of the following:

As analyzed in Note 13.....	\$7,387,082
Less Reduction as described in Note 1 (a).....	5,909,666
	<u>1,477,416</u>
Add Shares issued to Faraday Uranium Mines Limited as set out in Note 1(c).....	5,738,284
	<u>\$7,215,700</u>

The following is an analysis of the pro forma contributed surplus account:

Surplus arising on cancellation of capital stock (as above).....	\$5,909,666
Surplus arising on acquisition of net assets from Faraday.....	1,644,237
	<u>\$7,553,903</u>

14. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

The items shown hereunder were charged in the statement of operations for the six months ended June 30, 1963. There were no such charges to other accounts during the period:

Maintenance and repairs.....	\$12,394
Depreciation and amortization (Note 5) (disclosed separately in the statement of operations)	
Provincial capital and place of business taxes.....	505
School taxes.....	3,000
Management and service contract fees.....	46,420
Rents and royalties.....	—

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